

# The Capital Company's Jessica Cutrera on Staying the Course as a Leading Hong Kong IAM

The Capital Company is a Hong Kong-based independent asset management firm offering global as well as Asia-specific asset management and related services to international investors. In addition to its core asset management business, the rise of a class of wealthy global citizens and the increasing number of clients with interests in different jurisdictions around the world has meant that the company is now also helping clients consider the various choices and obligations they may have in terms of cross-border tax and estate planning. Providing such value-added services in terms of helping clients and families build and protect their asset portfolios is an integral part of the wealth management business, and that this is the unique selling point which differentiates their company's offering from the services provided by traditional private banks. Jessica Cutrera is a Founding Partner, Responsible Officer and Compliance Officer of the firm. Hubbis 'met' with her on a recent video call to hear updates on the firm's progress and proposition, and to learn how Cutrera and the team have been managing clients and expectations - through the crisis.

## Veteran Dutch wealth

management expert Harmen Overdijk co-founded The Capital Company in January 2017 together with partners from The Netherlands, the US and Australia. The company was created to provide tax planning and structuring, financial modelling, pension planning, portfolio management, estate planning and insurance services to clients who are considered 'global citizens' - for example, Asian families who have cross-border interests in terms of overseas properties and other investments, or who might have family members studying or working in the US, UK or Europe.

In the three plus years since its founding, The Capital Company team has grown to include more than 20 people in its Hong Kong office, and with offices in London and Dallas.

## Building the proposition

As a founding partner, Jessica Cutrera has a bird's eye view on the evolution of the firm and of the independent wealth management community in Hong Kong and more broadly in Asia.

She opens the discussion by looking back over the recent years, explaining that the firm has evolved judiciously and within its capabilities since inception, to the point where the firm's leaders felt the time was right for an important diversification step in 2019, when The Capital Company moved into the realm of competing to manage money for family offices at home and overseas.

"That was a significant step for us," she recalls, "and one we are pleased we took. Naturally, progress on this front has slowed in the pandemic,"

## Cutrera's Key Priorities

Building the family office clientele globally is a core mission. "We have already invested in this area and now have the infrastructure to provide those services and support," she says, "so this is a key growth area we will focus on. Secondly, continuing to grow and acquire more senior talent who can help us generate more revenue and more new business and new business lines, that is also a priority."

The third key objective is to consolidate on the opportunities brought through the 2019 merger with long-term affiliate - BFT Financial Group - in the US. "We have achieved some progress," she says, "but we have not yet necessarily maximised the opportunity there. We can expand our work together, our clientele, and increase synergies in technology and other areas." Our vision is to provide a comprehensive global asset management and financial planning service, helping families of all kinds manage and preserve wealth.

she reports, "but we are proud to have been able to secure family office clients from both Europe and New York, adding diversification to our clientele, and further expanding our remit beyond Hong Kong's shores, and building our reputation and capabilities."

through the recent months and done our best to manage clients and their expectations through this crisis."

She also observes that market turbulence and market downturns are usually good opportunities for

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## Planning ahead during lockdown

Lockdown has been trying, but the firm, she reports, has been weathering the adversity. She explains that as many of the clients have more time available, there has been a greater emphasis on wealth and estate planning. "This plays to our strengths," she remarks, "so we have kept true to our skillsets

fiduciaries. "People do pay more attention to their accounts and the services they are receiving during crisis," she says, "as well as to performance, and that is generally positive for the IAM community."

Moreover, she says clients have been tending to explore alternatives. "Those clients who might for years have stuck to their primary bank relationships do



**JESSICA CUTRERA**

The Capital Company

appear more amenable to explore other opportunities for advice and money management,” she reports. “On the other hand, the independent wealth management firms are generally smaller, with less resources than the big players, so advances and opportunities need to be tempered with due realism about capacity and capabilities.”

From an investment management and strategy standpoint, she reports that the firm has been coping well through the crisis. “We handle both core and thematic portfolios and take a long-term view,” she explains. “So far, there have been no dramatic changes required during the pandemic, although naturally there are some careful adjustments to be made to portfolios.”

She also remarks that Hong Kong has managed the crisis well and the firm continue to be busy and with good quality clients. “We have had some people working from home, but for the most part business has continued,” she clarifies. “We have had periods where we didn’t take visitors into the office, but most of our clients have easily adapted to remote forms of digital communication. All in all, it has been

**Getting Personal with Jessica Cutrera**

Jessica Cutrera is a Founding Partner, Responsible Officer and Compliance Officer of The Capital Company Hong Kong, an independent asset management firm formed at the beginning of 2017.

Prior to her time at The Capital Company, she co-founded EXS Capital Asia in 2008, and served as a Responsible Officer and head of Operations and Compliance for the firm until the end of 2016. She and her team built a substantial asset management and financial planning practice during their time at EXS, which is part of the core of their new joint venture The Capital Company.

She is an expert in many areas including tax, financial, and estate planning and she specialises in serving Americans living in Asia. Her team provides fee-based comprehensive wealth management and planning services to U.S. citizens in Asia and to persons with US related planning needs.

Before she moved to Asia, Jessica worked as a Registered Representative for Charles Schwab. Cutrera continues to be licensed in the US today as a Registered Investment Advisor, insurance professional, and Trust and Estate Practitioner, and serves clients in the US, and across Asia Pacific.

She originally hails from Louisville, Kentucky. She completed her undergraduate studies in Indiana and her MBA in Tokyo, Japan, at Temple University. She also spent a year in AmeriCorps, the domestic Peace Corp, working with individuals with severe disabilities.

Cutrera lives in Hong Kong with her husband and two children. She is active in the American Chambers of Commerce in Hong Kong, the American Women’s Association, and supports a variety of non-profit organisations around the region. Additionally, in normalised times, she is active in the Girl Scouts as an adult volunteer and an avid runner and cyclist with the Hong Kong Tritons.

Cutrera is married to her husband of Greek and British origin and they have a seven-year-old daughter and a five-year-old son. She has always kept fit, but is waiting hip surgery, so the more vigorous forms of exercise are currently on hold.

The family love Hong Kong, with its diversity. “You can be in middle of a dense urban jungle but very quickly can get to a beach or go hiking,” she says. “And the food is wonderful!”

quite manageable, but of course we keep our fingers crossed for a return to more normality ahead."

### Global assets, global needs

Cutrera explains that the types of clients the firm works with very often require cross-border support. "That may simply be because they invest in multiple markets, or perhaps they own other assets in different jurisdictions, or they might have within their family multiple passports, and multiple homes, so being able to provide service to clients on a 24-hour basis is vital," she reports. "We support both Asian clients in Asia, and a variety of US citizens, US taxpayers, and we are involved therefore in dealing with complex cross-border and often US issues, as well as helping clients invest in US markets. Our presence today in Hong Kong, Dallas, and London helps achieve this type of seamless support and service, including for the larger family office clients in Holland and New York."

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She offers more detail on the family office business, which she explains falls into two categories. "Some family offices outsource their asset management to us, so we either run their portfolios or we give them the portfolio instructions to implement themselves for our

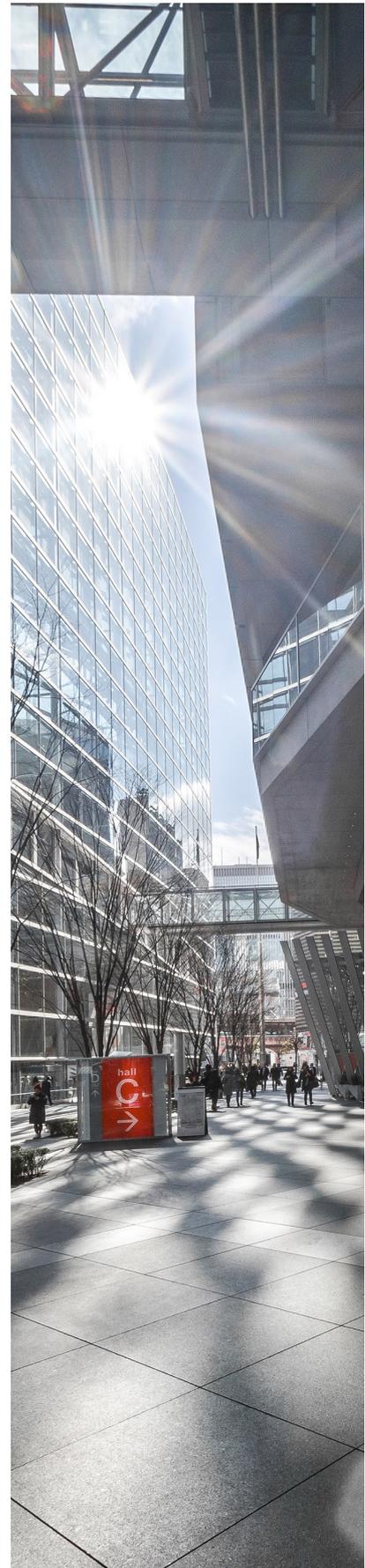
model portfolios and we get paid a portion of the management fee on those accounts. There are lot of family offices who now prefer to focus more on the family services, in other words the overall tax, estate, and broader financial planning without trying to build the investment capability in-house, so this has been good for us and is an exciting trend for us, given our robust portfolio management skills."

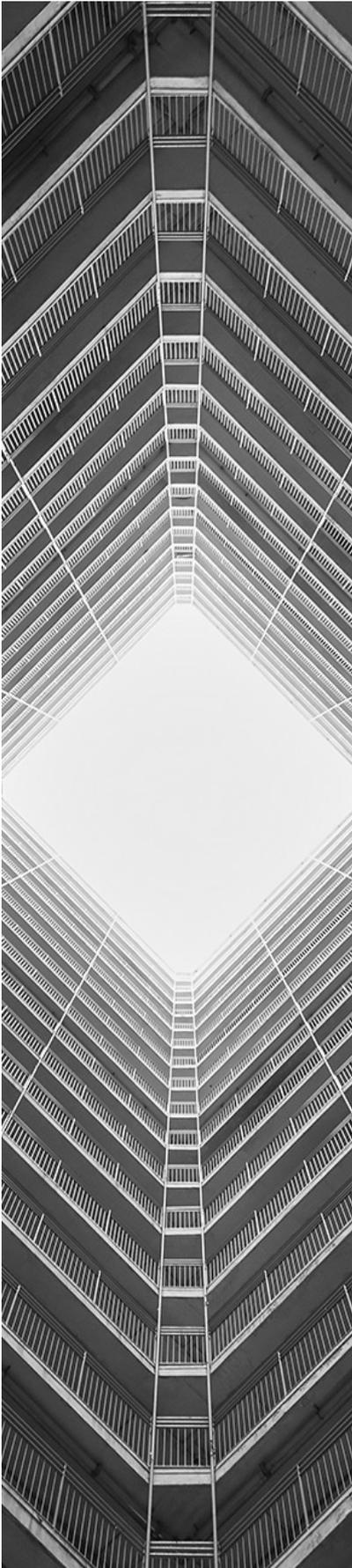
She also reports that the firm serves families directly through in-house expertise for tax and estate advice in multiple jurisdictions. "We do a considerable amount of financial planning and modelling, and that helps us attract families who want a more comprehensive service range," she reports.

### Digital days

Capital is also enhancing its technology and its outsourcing, working more now via digital platforms such as Saxo Markets and Interactive Brokers. "We have been moving clients more and

more to digital platforms in part because to meet some of the ongoing compliance and regulatory requirements, it can actually be quite difficult to do that with private banks who do not feed data," she reports. "In this day and age, it seems a bit surprising, but it is the





case that the banks are somewhat lacking in this aspect of capability.”

Additionally, the firm is investing in a new client reporting system that will enhance the way they can analyse their accounts and surrounding data. “And,” she says, “we will continue to look at how we use technology to improve risk management, order management, trading and the overall client experience.”

She predicts that there is a sea change taking place in the connectivity between the firm and its clients, as digital dominates currently, and the increasingly globalised nature of the clientele and of their assets and structures means that remote connectivity are considerably more efficient. “But this does not translate into changes in the way that clients want their money managed,” she adds, “meaning that in the medium to longer-term things will likely remain as they were from a business perspective.”

### Sticking to its model

Cutrera reports that The Capital Company has been a fee-based fiduciary now for over 15 years. “We charge fees across all the three core services we provide clients: financial planning, portfolio management and estate planning,” she reports. “This is a pre-agreed fee for any service we provide, and we do not derive any other income or retrocessions of any sort from other providers, banks or banking platforms.”

While this practice is still fairly uncommon in Asia, she believes that this is the right way forward in Asia, and increasingly accepted, and even expected by regional clients. “They are better served by having a transparent fee structure where the advisor does

not have conflicts of interest around the types of products that they represent,” she says. “This is especially comfortable for overseas clients, where fixed advisory or other fees are more widely the practice these days.”

She elaborates on this point, explaining that while there are still clients who prefer to deal on a transactional basis, Capital Company’s fundamental belief is that fees are preferable to ensure that the client’s best interests are always put first. “In the absence of that traditional commission model,” she explains, “the focus is naturally much more on what the client needs rather than trying to back in your client into a particular product that you need or want to sell. And so ultimately anytime you focus more on the client’s best interest and you hold your advisors to a higher fiduciary standard that should help ultimately achieve more optimised outcomes for clients.”

### A positive spin

Cutrera is positive about the IAM sector in Hong Kong, noting that before the crisis, the independent wealth sector had been on a solid growth track, judging by the number of new license applications and the numbers of those setting up businesses and moving to join existing independent businesses. “We also see an evolution in the business model,” she elucidates, “so for example, more firms are focusing on transparency, alignment of interest and on delivering services from the same side of the table as their client, with significant effect on the fee models.”

She also remarks on the expansion of the range of services on offer. “Whereas some years ago many firms were purely an investment

advisor or solely an asset manager, many members also advise on tax, legal, insurance, and other aspects that are so important to Asian family wealth," she says. "This really helps deliver an overall better solution to the end client."

Hong Kong has in the past few years also witnessed new firms and more mergers, acquisitions, more partnerships, resulting in more choices for independents. There are also more brokerage platforms available; many of the Asian banks are competing with the traditional Swiss and European offerings. "Given all this, independents now have more choices; there are more products, services, solutions, and custodians available to them and their clients."

Nevertheless, Cutrera also anticipates more consolidation as a result of the pandemic than might have been the case had it not emerged with such global impact. "There are clearly those firms that do not project the internal resources or external capabilities required, who do not have the financial ability to get those resources to run a robust portfolio management protocol, as well as the ever-increasing costs and challenges around compliance. Risk management is also another vital area to concentrate resources on."

### Ever vigilant

She delves deeper into this thought process, noting that wealth management businesses essentially need to be run as if there

is always a crisis on the horizon. "This pandemic has created an unprecedented debacle in terms of its speed and suddenness," she comments, "but it simply serves to remind us all that we need to be constantly vigilant."

Her final comment is one of continuing support for Hong Kong. "We have an immense business and financial infrastructure here, and Hong Kong has been active in boosting the whole financial and business landscape, boosting innovation and FinTech and supporting the expansion of the wealth management industry. Hong Kong remains competitive, and a very broad and diverse array of clients are here. We have optimism about the future here." ■

