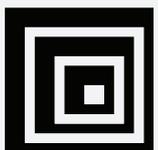


The Operational and Data Management Challenges for Increasingly Diversified and Complex Wealth Portfolios

How have UHNW, HNW and even mass affluent investment portfolios evolved in recent years, and what does that mean for the wealth management industry as they strive to offer the best suite of advice and products for these times? A selected group of top-level COOs, CIOs, gatekeepers from private banks and leading EAMs gathered to debate these issues, focusing intently on the role of data in helping the advisory community and client-facing bankers curate the best possible investment decisions for and with their private clients. The experts also discussed in detail the approach to the latest digital solutions used in wealth management to help segment, refine and also scale the investment offerings for these clients. For this summary report, all comments summarised below have been treated as non-attributable.

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Consistency is vital to the delivery of quality advice

The head of advisory solutions for a large international bank, covering the private bank and the mass affluent market, opened the discussion by saying that a key objective for them has been to ensure that their advice is of high quality and great consistency: “We are not only a private bank, we have a major Priority Business as well, and my mission is to deliver strong advisory content in line with our CIO views and make sure the advisory tools that our Relationship Managers and frontline needs are not only fit for today but are also going to enable us to scale our business,” she reported, adding this is especially vital in such difficult markets.

She explained that the right digital tools are essential to deliver efficiently and to offer the crucial elements of personalisation that she said is ‘front and centre’ of what they do. “We also have an in-house portfolio construction tool that is going to become part of our core offering for not just our Priority teams, but also our private banking team,” she reported. “It

brings personalisation and allows us to connect with our clients in a much customised way, to advise across the full suite of products that we have. And it will help us with scaling our business.”

Data is central to scale and efficiency across the retail and affluent segments

The head of investment products for a regional private bank offered his views, noting first that the bank spans a very strong retail presence all the way to private banking, and that at the retail and mass affluent levels, the leveraging of data is essential to build scale and efficiency. “We use a lot of data from the retail banking side, as well as data analytics to boost the offering,” he reported.

Two key priorities – good service and great and differentiated advice

An ex-banker with a high-profile resume offered his view that wealth management is all about the quality of service and advice. “Service is covered by many parts of the organisation, as well as the private banking side, but the advice is the differentiating factor,” he reported. “It must be relevant, personalised and promote trust and loyalty.”

But he explained that there is too often advice coming that does not sufficiently differentiate between funds and markets, and that is not sufficiently granular. “I see the private banks all offering similar core type asset allocation models, then satellite investments and then strapping on structured products, but I think

they all need to become more granular, more precise,” he said. “This market is not one in which a rising tide will float all boats, so the banks now need to really stand out. Using data to become much more specific and to truly differentiate advice is clearly the right path.”

Freeing up the client-facing advisors and Relationship Managers is central to the proposition and technology can really help, if properly assembled

The same guest highlighted the immense administrative and regulatory burden on the client-facing banks. “Everything else is secondary unless you can automate the whole compliance, admin and selling process as much as possible. The Relationship Managers spend too little time doing what they should be doing. And the banks need to make sure everything is delivered to the Relationship Managers in ways that they can actually use it efficiently; otherwise most of what you are producing is unused.”

Another expert agreed, noting that the Relationship Manager should be able to click a button and see basic information to help him or her. “With digital, they should be able to quickly see a client’s holdings, their risk profile, connect that to risk analytics and offer advice accordingly,” she said. “It is not only about digital or data; it’s actually making sure that the core elements of the portfolio are fixed. Being able to use digital to free up the advisors’ days to have quality conversations with their clients is central to our efforts.”



Delivering the CIO view with speed, accuracy and consistency

The CIO of the private wealth arm of a major ASEAN based bank said his challenge was to ensure the CIO view was delivered effectively. “I’m in-charge of the house view,” he reported, “and from my perspective, we need to make sure that our house views are effectively communicated to the client through the Relationship Managers. Perhaps going fully digital – which we are not yet at our bank – is the way forward. Right now, we are rather manual. We want to be able to more easily connect house views to the client portfolios and help them implement our views by adjusting portfolios. This type of gathering is helpful to see and hear how others who are more advanced are achieving these goals.”

He added that getting the right balance was also essential. Some clients might find a 10-page report too detailed; some might find it does not offer enough detail.

“It is hard if some very wealthy clients need more information and the Relationship Manager

struggles to locate it, or the opposite, that they offer too much detail and weaken the conversations,” he commented. “And that is where I think digital tools can really help with different levels of advice pitched at different clients on a more personalised and relevant basis. You can then offer brief and to the point, or the deep dive type information, for greater customisation.”

Data analytics around behaviour and sentiment will help the Relationship Managers and advisors offer more relevant personalisation

Another expert concurred, noting that he could not remember the last time he read a PDF or PowerPoint. He said sentiment-based analytics will help, as it will help the Relationship Managers engage with clients on how they reacted to events on the past, to help inform them on how they should or should not react in certain conditions. “This will help advisors offer that next level of advice that would make the relationship seem personalised,” he reported.

“Yes, I totally agree,” said another guest. “Not all clients are the same, they all react differently. For example, this is really helpful for Relationship Managers if they can see which clients they need to speak with first in adverse conditions. They will be able to see who in the past just let the holdings ride through the storms and those clients who reacted much more, possibly in an excessive manner. For us, this behavioural element is actually super important, especially as you move to the mass affluent segment where advisors look after more clients.”

He said in this way the banks will not risk losing AUM as clients react by selling. Moreover, they could garner more AUM in the future if they help those highly reactive clients from making ‘emotional’ decisions in the face of adverse market conditions.

Cracking the code for digital advisory to the HNW clientele is far from easy

A guest remarked that, in his view, no bank he knows of has yet cracked digital advisory for high-net-worth clients. “How do you digitally execute a process that involves content curation, idea generation, delivery to the client, and then open the way for the client to seamlessly transition to an electronic banking platform potentially to place a trade?” he pondered.

Another banker agreed, adding that the Relationship Managers understand their clients to some extent already, so whatever can be done to enhance that is valuable. But at the same time, the wealth industry needs to make sure they are not just about selling them what they want to hear. “It should be about



challenging them, for example, telling them they are overexposed in some areas. The information and ideas must also get to the clients easily and clearly. I see this as a client, and I see it also as a COO, just how difficult it is to get that information easily and accessibly.”

A fellow guest said it is vital to deliver material and valuable advice that really connects to what the clients are interested in. “Everybody produces reports and information, but unless it catches the eye, it is spam or deleted, so the tighter the focus on what the clients are interested in or not the better.”

Another guest agreed, adding that it is not only about adjusting and rebalancing portfolios but offering advice and ideas that have some ‘pull’ with the clients. “Less push and more pull is the better approach,” he said. “Today it is more like push, push, push.”

Data aggregation is a step forward in a holistic perspective on the clients

Another expert observed that in Europe, there are many data

aggregation tools and that a major objective is knowing any client’s full position. “In Asia, it is harder as wealthy clients tend to spread their assets among more private banks, but we are starting to see more aggregation out here. Nevertheless, things are different in Asia to Europe, and, to coin a phrase, we have a long way to go on this front.”

Innovation is constant - some banks are leading the way, while others are following the leaders

An innovation specialist from a regional private bank offered his insights, explaining that the bank he works with has been at the cutting edge of trying to drive innovation with two main areas of focus – developing the underserved market that is some 20% of his efforts and protecting and building the core business, which is roughly 80% of his teams’ efforts.

“Design thinking is at the core of my team as a capability,” he explained. “We identify where the business opportunity is and how

to deliver to the client in a user-centric manner. We understand the needs and the pain points, end to end. We then test, we pilot, we obtain feedback and ultimately, we deliver and execute the project. Today, I have a few projects related to product equity efficiency, in terms of advisory, mutual funds, onboarding, as well as the next generation client segment.”

Risk analytics are also vital in elevating the portfolios and enhancing the dialogue between advisors and clients

The guests sent ideas and thoughts back and forth on the value of risk analytics, with one expert noting that this is an incredibly important part of the conversation that the Relationship Managers and advisors can have with the clients. “They can strategise and potentially model how a portfolio might look with some adjustments, for example, allowing for an engaging conversation,” she said. “And the more assets those models can include, for example rather complex structured products as well, the better the accuracy of the models and the better the discussions.”

Nevertheless, she also said that clients only want to listen to the risk analysis when markets are performing poorly. “We therefore need to find ways to sort of gamify it to make it interesting, to make it part of the conversation even when markets are good, so that our clients are well-prepped,” she said. “If you tell someone in advance that this is what could happen when markets turn bad, they are less likely to call you when things do go bad because you’ve at least updated them in advance.”



Internal and external delivery are both just as important to the overall wealth management proposition

Another private banker with a boutique international Swiss house observed that the first objective is to deliver information and insights to the Relationship Managers and get them to engage, and only then can they effectively deliver to the clients. “You might have the tools, the data, the analytics here and there, but bringing it all together is still a challenge,” he said.

Another expert concurred, adding that he too often sees a lack of thorough understanding in the organisation as to how the whole business workflow works. “There are so many people involved; it is often unclear where to source things and what needs to be done. Often, we work with clients with perhaps 24 people in data management and analytics, but they do not get to do much analytics, as they are often just trying to find the data when requests come in, and get some very basic things out. This is a long journey,

and there is no simple answer. It’s not the system that you put in place; it is the transformation that you run.”

This guest agreed that data extraction and its effective management and delivery remained hampered by processes, legacy systems and a lack of coordination, but that the tipping point is perhaps regulatory. “If the MAS in Singapore said today that you need to have very detailed portfolio analytics to make sure that clients are aware of their risk exposures, then it would happen faster,” he said. “They are moving in that direction but only vaguely.”

Data, sustainability and the new world of ESG-centric investing

The discussion, almost inevitably these days, migrated towards ESG, with one guest stating that the Russian invasion of Ukraine had pushed the pandemic and ESG to one side, especially as money flooded into the oil and gas markets.

Another guest remarked that although ESG has not performed well as a theme in 2022, AUM allocated to ESG investment had risen at their bank. “The next gens in particular are putting more money to ESG as they connect more with this thematic, and many of our bankers want to learn more. “We have conducted some research, and we see that the Relationship Manager is really the centre point for educating the clients and getting them to change their minds, and take a leap in this direction. We are pleased the bankers are showing rising interest.”

Another guest concurred but noted that ESG manifests itself

over a long time frame and Asia’s investors are less patient. “That long-term play is what makes ESG more difficult to sell in this region. Everybody agrees this is where you should be, and this makes a lot of sense, but the long horizon is a major hurdle in Asia amongst private investors.”

On the data front and its relationship to ESG, a guest reported that the bank operates on open architecture and sources most research from external parties in order to curate their sustainable investment universe. “But more clients are asking us for impact reports on their investments, so we have to focus both on returns and the impact aspect. Interest in Asia is far less mature than in Europe, but interest is increasing.”

Turning to the ESG metrics, an invitee noted that most banks now report to clients on the ESG ratings of single products and then extrapolate a portfolio rating, excluding complex assets such as structured products.

They explained that the financial angle comes first and then ESG layered on top as further refinement, but also noted that they want to get more granular on the E, S and G elements, as there are different interpretations and they want to emphasise the S element, which is less open to different perspectives, as it is more data-driven than for example governance.

“An issue is that the academic research doesn’t really say that ESG is correlated with performance,” someone commented, “although there is a stronger case for ESG integration from a risk management perspective, that view is better established. “So, we are trying to incorporate ESG as part of our risk assessment of the portfolios.” ■

SIMCORP DATA MANAGEMENT, LAURENT LAMARLERE—HEAD OF DATA MANAGEMENT, SIMCORP ASIA PACIFIC

SimCorp is the world's leading provider of integrated investment management solutions to financial institutions such as asset and wealth managers, banks, national banks, pension funds, sovereign wealth funds and insurance companies.

In its website, SimCorp presents itself as a company offering solutions and services for investment management, data management and client communications to help navigate dynamic markets. A particular focus of the front to back offer lies in enabling access to a single source of data across all (public and private market) assets and insights that allow clients to make faster, better investment decisions—critical to respond to rapidly changing market conditions and seize new opportunities.

Founded in 1971, SimCorp has five decades of experience in catering for top-tier investment and wealth managers, helping them build a flexible and scalable approach to the ever-changing IT landscape while still maintain control.

SimCorp is an independent, publicly traded entity headquartered in Copenhagen, Denmark, listed on NASDAQ Copenhagen. The company's annual 20% re-investment of its revenues into R&D ensures that its solutions continue to address clients' evolving needs.

A who's who of international clients

SimCorp's clients include 300-plus of the world's leading asset managers, fund managers, asset servicers, pension and insurance funds, wealth managers, central banks, sovereign wealth funds, and treasury. Client names include the Bank of Thailand, Colonial First State, Freddie Mac, Fannie Mae, KBC Asset Management, UBS Asset Management, Zurich Group Investment Management, to name a few.

SimCorp acquired AIM Software, a leader in the enterprise data management space in 2019, and since then, the company has brought a lot of talent and a wealth of industry knowledge and experience to help grow and service the global customer base.

SimCorp today has offices in more than 20 countries and has a major presence across the US and Europe, as well as a growing business in Asia Pacific, where the firm is concentrating significantly more resources. With more than 1,900 employees, SimCorp is a truly global team.

Data, rapid expansion and Laurent's role

One of the fastest-growing areas of business within SimCorp is its data management offering with 60+ clients across the globe to date. Laurent runs that business for Asia Pacific as Head of Data and Client Communications at SimCorp, responsible for spearheading the commercial and strategic direction of the firm's data management and client communications businesses in our region.

More recently, Laurent has been driving SimCorp's strategic shift to an 'as-a-service' focused organisation and progressed the launch of SimCorp's proprietary Data Management Services in response to clients' needs in APAC.

From complexity to understanding

Laurent believes the world of wealth management is very data hungry. With increasing volumes and complexity—with private clients diversifying away from public market assets and demanding increasing alignment with ESG metrics—data curation, refinement, management and delivery (both internally and externally) will only be that much more critical.

A world leader

"We are known as the world's leading provider of integrated investment management solutions, with robust integrated offerings for both data management and client communications," Laurent reports, with some considerable enthusiasm.

“We harness our core Investment Book of Record and ecosystem of innovative customer-centric tech solutions and combine it with high-value business, data, and operational services to deliver the outcomes that matter to our customers,” he elucidates.

Laurent also highlights the increasing client demand in the past decade or so for high quality data of all types including market, reference, corporate actions, and ESG data. Today, the range and diversity of investment assets are far greater, and many investment products and sectors are more complex than ever. “Accordingly,” he reports, “our approach to all this has been pioneering and innovative.”

Pioneering data solutions

Laurent explains that rather than following the norms of using software to manage market and reference data, SimCorp has gone several steps further to provide a fully managed data service.

SimCorp Data Management Services provides clean and up-to-date market and reference data, building on a strong technology-driven service design with a global ‘follow the sun’ business model.

At the core of the service, there is an experienced and dedicated advisory team with knowledge across asset strategies and data types to help firms stay on top of industry, regulatory and market changes, including considerations for ESG investing.

In addition, the service has been designed to continuously evolve with the needs of the market – no matter the change from new regulations, data vendors or market volatility, SimCorp Data Management Services addresses change requirements within strict SLAs, keeping quality data accessible so that you can focus on making business decisions.

Cleaned and tidied

“Our technology and teams clean the data and then make it available downstream to clients that also use our core offering,” he explains. “We can also offer this to the broader market, with that data solution servicing all customers regardless of their platforms and core banking suites,” he adds. He further explains that the demand for this new ‘as a Service’ approach has been exploding in recent years, since their launch in 2019.

Deep into wealth management

Laurent reports that SimCorp has a long and deep history in wealth management. For example, they work closely with private banks such as Bank Vontobel in Switzerland. The complexity of their client portfolios and their needs just keep intensifying.

He adds that Switzerland is simply an example of a core wealth management market, as it is the epicentre of today’s global private banking universe, but of course SimCorp’s clients span the world. “We are servicing clients across all continents, whether it is France, Luxembourg, Singapore, Australia and so forth,” he reports. “And many of them of course have operations across Asia, so we are fast-tracking our coverage for the APAC markets, where there is a huge opportunity.”

Asia here we come

Laurent reports that SimCorp already has a dedicated market unit in Asia, to complement their European and North American hubs. “On the data management front, we see a big growth opportunity, not only in wealth management but broadly in the financial sector, for example in Australia where asset owners including the superannuation funds and others need our support,” he says. “We are building our presence in the region, building talent, investing substantially, and we anticipate significant growth ahead. Historically, our core markets have been Europe and North America, but APAC is becoming the third major driver.”

To learn more about SimCorp’s Data Management Services, please click: [Data Management Services | SimCorp](#)