

Transforming funds delivery for a new wealth landscape

The wave of consolidation sweeping through the wealth and asset management sectors in Asia has prompted UBS Asset Management to embark on an ambitious transformation exercise that extends to nearly every aspect of its business.

UBS Asset Management is preparing for the next stage of the wealth management evolution in Asia by identifying and then investing heavily in core competencies, while continuously adding new services and platforms for clients.

Its dual goal is to become indispensable to existing clients and more attractive to future ones, explains Rene Buehlmann, group managing director; head of Asia Pacific, and also global head of wholesale client coverage.

Yet this strategy is far from being one-size-fits-all. Instead, the firm is taking a varied approach to appeal to different client channels.

In the private banking space, for example, where rising costs are forcing smaller players out of the market or consolidate, the Swiss-headquartered asset manager is looking to provide what it refers to as 'partnership' services, designed to boost an intermedi-

ary's bottom-line without increasing its fixed costs.

This strategy, says Buehlmann, also intends to help UBS Asset Management to stand out from its peers at a time when private banks in Asia are looking to work with fewer product providers. These distributors also want to focus more on the 'add-ons' that asset managers can bring beyond the obvious offering of funds – such as technology platforms, advisory services, client education and so on.

CONNECTING THE DOTS

Where the fund house is specifically looking to give itself that extra edge, is via its strategic partnership platform.

This delivers a gamut of services ranging from customised solutions, to education programmes for clients, to platform services, to white labelling – the full value chain. UBS Partner is a good example of the technological



RENE BUEHLMANN
UBS Asset Management

capabilities that UBS Asset Management delivers as a new offering to its distribution partners on the advisory front. This takes a modular approach

mainly aimed at clients who want to make their own investment decisions but based on access to market analysis and support from time to time.

The platform keeps an around-the-clock watch on investments on behalf of distributors, immediately alerting the private bank's client advisers about any deviation in their individual client portfolios. However, the final decision to implement the suggestion rests with the client.

"The platform screens each portfolio overnight, every day, and compares it against a set of criteria such as risk, asset allocation or anything else that our distribution partners want defined within the measurement parameters," explains Buehlmann. "It then identifies the gaps and sets out recommendations on how to fix these gaps."

LIGHTENING THE BURDEN

Another highlight of the UBS Asset Management offering is its Fondcenter – which is already a proven success in Europe. Asia is next on the radar. This aims to give private banks some relief from their ongoing regulatory and compliance burden.

In addition, as a way to help distributors focus on their core competencies, the Fondcenter acts as a one-stop-shop by connecting over 250 global distribution partners with fund providers.

Having numerous conversations and going through the nitty-gritty details of distribution agreements can then be a thing of the past.

"Why would anyone want to bother managing hundreds of distribution agreements with their partners when they can outsource that to one service

provider who does it all for them?" asks Buehlmann. With the UBS Fondcenter, a bank signs one distribution agreement, after which the asset manager looks after the collection of all trailer fees and provides the reporting. "It's a massive efficiency gain for some clients," he adds.

A LEANER PRODUCT SHELF

Yet UBS Asset Management's efforts at adding various layers to its value proposition are not only directed at meeting the needs of distributors.

The firm is also spending a lot of time and energy in streamlining its own investment offering. This includes a constant review of products; especially those which have not been performing within the top two quartiles over market cycles, and doing away with them if it proves to be a non-competitive product.

"We took out all the silos of equity, fixed income and hedge funds," explains Buehlmann, "and looked at who really produced alpha and how much risk to produce this alpha. We then restructured our whole offering." This has become increasingly important as investors veer towards passive funds. As a result, the focus on developing a niche for itself has become more important than ever.

"If you, unlike UBS Asset Management, are not in the passive space and have no ETF offering, it is a challenge because it means as an asset manager, you need to be very good at the things you do," he says. "It's very clear: either you get paid for high alpha or the trend will be to go with passive." Against this backdrop, Buehlmann says UBS Asset Management has identified four other areas it would like to be trusted for,

A China priority

As UBS Asset Management thrashes out the pieces of its new business model, one of the most crucial of them is the China piece.

Indeed, given the scale of the opportunity in the Mainland, it is not a market in which UBS wants to play a waiting game. "The opportunities are enormous; we see this in our own China equity capabilities," says Buehlmann. "The alpha generated in the last three years is significant."

In July 2017, to help achieve its goals in this market, the firm became the first Qualified Domestic Limited Partner (QDLP) license-holder to receive a Private Fund Management license in China.

This allows the firm's wholly foreign-owned enterprise (WFOE) to offer onshore fixed income, equity and multi-asset private funds to both institutional and HNW investors. "With the addition of the [PFM] license, augmented by our other platforms in China, we can provide a broad range of services to onshore and global clients. It also allows us to work more closely with subsidiaries of global firms in China to meet their domestic investment needs.... We want clients to make UBS their first call for China," says Buehlmann.

globally, besides the above described High Alpha range. These offerings are within the solutions space in particular the firm's vast income series, ETFs, sustainable investments and alternative strategies. ■