

# TriLake's CIO on Engaging Deeply with Clients and Building 'Risk Optimised' Portfolios

Singapore-headquartered independent wealth management firm TriLake Partners is ten years old and has been consistently building its reputation for trust and excellence for the past decade. Hubbis discussed the firm's business model and investment approach with Noli de Pala, who for the past five years has been TriLake's CIO and in recent times also a very welcome regular at some of our Hubbis discussion events, bringing together his investment expertise and his deep knowledge of the investment trends amongst Asia's wealthy private clients, as well as his firmly-held belief that his role is all about delivering added value for the private clients TriLake serves. As comfortable in a backroom devising quant and other strategies to analyse assets as he is engaging directly with clients, Noli believes that portfolios should be devised in the image of the clients, that all good wealth management begins with a deep understanding of their needs and expectations, and that Noli de Pala risk optimisation is of paramount importance in portfolio management.

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### TriLake Partners (TriLake)

was founded by highly experienced private bankers from Switzerland, top executives at three leading independent asset management companies in Switzerland, namely Boccard & Partenaires in Neuchatel, The Forum Finance Group in Geneva, and Avalor Investments AG in Zurich.

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Hubbis last interviewed Noli in 2018. “TriLake today is much as it has been for many years,” he reports. “The firm was created in the image of the Swiss wealth management models that our founders understand intimately, and the idea at the outset was as simple as saying that they wanted to replicate a similar quality of advisory and asset management expertise as on offer in Switzerland. And our focus remains the same, with a global clientele from our base in Singapore, and across countries such as Thailand, Switzerland and many others. And we continue to incline towards entrepreneurs and highly successful professionals from Europe and Asia.”

TriLake today has a lean team of seven under the overall direction of CEO Lucie Hulme, who incidentally is also President of the Association of Independent Wealth Managers in Singapore

(AIWM). And Singapore is still the core platform for TriLake, offering natural access to the firm’s target clientele and an excellent base for the wider Asian region.

### Start with the client

Noli quips that some of the best starts to relationships with clients of the firm have avoided tackling the topic of investments

altogether. “The best way to build a relationship from the outset is to focus only on one topic, the client themselves,” he says. “And 99 times out of 100, I’ve never really ever had a conversation with a client who actually knew what they needed to do. Accordingly, the best value we can bring to the table is to become partners in a journey of discovery with the client, and that is where we can truly stand out from the many private banks that our clients tell us all so often focus almost entirely on the investment side.”

Noli makes an analogy to a doctor, who will prescribe for the condition of the patient from the myriad of medicines available. “Most drugs work. So too for our business, most investments have an expected return that’s higher than the risk-free rate” he says, “so we must first make our assessment of the individual, and to do so, we must

communicate well with them, frankly and openly. We need to know who they are, what their problems are and what they want for the future. Then we can prescribe our products and ideas; we can assemble the portfolios to fit those individuals, that are unique to the risk appetites and return expectations of each client, and with a very wide-angle view. And each portfolio will be different, as the needs, timeframes and expectations always differ.”

### Word of mouth

He acknowledges that in the competitive world of high-net-worth asset management, it is often difficult to differentiate investment philosophies. “Our reputation with our clients and with our business partners speaks for itself,” he says. “We grow largely through referrals, based on track record, trust and respect. These core attributes have helped us build the firm to where we are today. And it is in large part driven by this approach, whereby the ideal conversation with a client should not involve talk of any specific product at all at the outset. We find it is often a liberating experience for our clients to be able to articulate their expectations and hopes, rather than diving into rates of return and other metrics.”

### Risk optimisation

He expands on this point. “Investing is about risk and managing risk, but above all, investing is a very personal thing, and we try to make it feel like a very personal experience. We then assemble and manage the client portfolios in accordance with its in-house investment strategy and the client’s individual needs, thereby we hope maximising the



**NOLI DE PALA**  
TriLake Partners

likelihood that their wealth will be sufficient in the future to achieve all their stated objectives.”

He explains that the firm’s quantified, portfolio-centric approach imposes discipline on its decision-making process and liberates client from undue worry over short-term movements of rates and prices. It aims to minimise the compulsion to jump into over-exuberant markets, and it clears the noise of tumultuous times to reveal valuable opportunities. “This is centred on risk optimisation,” he comments.

### Furthering the science

Noli explains that the science of portfolio allocation has evolved from the old days of quantitative analysis and then diversification based on country or regional differences or sectoral diversification. “Different elements have entered the mix nowadays,” he reports. “My old quant engine doesn’t work anymore because there is a demand for far greater diversification, so there might be sectors within sectors, ESG, greater refinement of countries or regions, more complex means of evaluating some companies, for example, new technology, where DCF analysis simply does

not work, as the speed of change in their businesses and products is so rapid.”

Noli avoids placing his clients in digital assets, arguing that he always makes a clear distinction between what is a rational medium to longer-term investment in a business that generates returns and other assets that are essentially nothing but speculation. “Gold might not generate cash-flows, but it is a physical asset with a history as long as mankind, one can even say that the Yen and Swiss franc are similar as they are secure stores of value. We see cryptos as highly speculative. No doubt people have made—and lost—a lot of money and no doubt digital currencies are in our future but it’s not for our clients’ portfolios at this time.”

**“Forget how smart you are, or how lucky, or whether you have great timing; most of the returns come through market exposure. This means that ETFs are perhaps one of the best ways to obtain that, as they are diversified in their universe today and offer low-cost access and trading opportunities. And then there are times you don’t want that broad market exposure when a more active management approach will add value, and hopefully sustainable alpha moving forward.”**

### Independence days

Noli reports that TriLake’s vision of the future in Asia is for wealth management to evolve much like in Switzerland where the gathering of assets for private bank management is mostly conducted through independent firms like TriLake, rather than via a captive salesforce of private bankers in each bank.

“In Asia today,” he observes, “it’s still largely each private bank with

its own salesforce of RMs, and they hire like crazy every year and by attrition, two-thirds then go so maybe third of them stay, and they keep that AUM. That has been the model. But that is changing, as the IAMs and EAMs build their client base, differentiating themselves by objectivity that is encouraged by independence from the pressures of a bank. And we can then command very good pricing from the 10 to 12 custodian banks that we deal with, each selected according to the individual characteristics of each individual client.”

### Staying invested

Noli maintains that the number one driver of returns will always be ‘beta’, for lack of a better word. “Here I mean sheer market

exposure, which should account for 80% plus of your long-term return,” he says. “Forget how smart you are, or how lucky, or whether you have great timing; most of the returns come through market exposure. This means that ETFs are perhaps one of the best ways to obtain that, as they are diversified in their universe today and offer low-cost access and trading opportunities. And





### Key priorities

TriLake has augmented his role as CIO with more client-facing responsibility. “I can be more like a boffin in a lab coat,” he quips, “but I am now enjoying once again the client-facing role such as I had in previous firms, and as we are a small team here at TriLake, we have been able to work really well together, bringing our different strengths to bear for clients in that has been a difficult and volatile and also emotional time for everyone.”

He adds that another priority is to build the Variable Capital Company (VCC) business, which has been featuring more prominently since the VCC was created and became effective in January 2020. And further digitisation is on the drawing board, aiming to boost efficiencies without necessarily adding to the manpower.

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### Look forward, not back

To gauge which managers might offer that sustainably, he maintains that it is best to avoid too much focus on past performance, which might be indicative of little more than the asset class as a whole, not necessarily the fund itself. “I really look for certain quantitative markers in my due diligence, so for example in the developed equity markets, an R-square between 0.6 and 0.8, which to me is a clear sign of good active management. And beyond that, if it is consistently above 0.9, that may indicate an index hugger who’s doing occasional overweights and underweights, so we’re not going to pay for that. So, if I spot a consistent R-squared of 0.6 to 0.8, we take a much deeper look.”

### Delivering added value

He observes that although there is the rather awkward statistic that active managers hardly ever beat the index, that only serves to disguise the many active managers out there who do outperform. “It is all about digging below the layers of the numerous huge, bloated funds and hefty fees out there, and finding the real skill in the market,” he reports. “It exists, you just have to know what to look for. And that, I believe, is a core element of our added value for our clients.”

TriLake is confident of continuing its steady expansion. “Growth must be about maintaining and building existing and new client relationships while building our team and expertise,” says Hulme. “When we take on new team members, it is vital that they share our total commitment to our clients and fit neatly with our team and our character.” ■

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## Getting Personal with Noli de Pala

Manila-born Noli has worked in the financial services industry across four continents for over 30 years. After working as a financial consultant for AXA in Los Angeles, he joined UnionBank of the Philippines in 1996 where he was the trust officer and later, the head of market risk management. In 2002 he moved to HSBC where he handled marketing, product development and training for the wealth management business. He was then assigned to the Channel Islands in the United Kingdom to train HSBC Bank International's financial advisors around the world from 2005-08.

He then returned to Manila to head HSBC's trust department before joining EastWest Bank where he was the trust officer and chief investment officer. Noli joined TriLake in 2016 as CIO.

A cum laude graduate of the University of the Philippines School of Economics, Noli has taught Advanced Investment Management in the university's Masters program in Finance. He earned his CFA charter in 2001 and is a former president of the CFA Society of the Philippines. He remains an active volunteer with the CFA Program and has served CFA Institute in various working committees for the last fifteen years.

"It was the morning after my university graduation in Manila that I was—rather unwillingly at the time—marched off to the airport to join my parents in LA, as they had actually already been living there for some years," he recalls. "I loved my life in Manila, but LA quickly proved a great place for life and career, and with 15 years there, and some years spent in Jersey, Manila and now five years in Singapore, it has been an exciting and interesting ride. I was at UCLA taking classes at business school back in 1987 when the Black Monday crash happened, wiping about 30% off stocks globally in a single day, it was both scary and exciting at the same time, but it set me on the course to go into the financial world, which I did four months after that horrible Monday."

He recalls that during his career, he enjoyed his time in Jersey with HSBC for three years from 2005. "The highlight would have been training all the financial advisors of the offshore bank in HSBC, my remit being to come up with a training and competency framework for our salesforce around the world," he explains.

He explains that this was a career highlight because many of his investment techniques and his quantitative inventions were developed out of that time, in Jersey. "My dilemma," he reports, "was how to train some of those bankers, many of whom had far longer experience than me, that it was not about the products, nor about the economy, but about the conversations they should have with the client, and the portfolio will then follow naturally."

He adds that he also then emphasised a key belief he still maintains today, that risk tolerance or risk capacity is not the issue, but that the client must truly establish with his advisor how much risk he really needs to take. "Determining how much risk a client needs to take is far more important than how much risk a client can afford to take or can emotionally take. That is risk optimisation," he says, "and it requires a separate discipline. And all of these concepts and beliefs I realised and promoted through my time in Jersey."

He also recalls a story from 1989, when he put some clients into what turned out to be the worst-performing fund in the entire United States that year. "I was so worried to talk about it with my clients," he says, "but what I really learned is that it was all about the portfolio, and how the overall portfolio performed, so I did not need to be so anxious. And that remains true to this day; we are never going to hit a home run on every investment that we make, but if the portfolio is robustly assembled and nurtured, then we can sleep easy, our clients as well. However, I also learned that for those clients that like to look line by line, these issues need to be addressed head on, there is no sense in brushing things under the carpet."



Noli is married and the couple have a 27-year-old in Manila and a 20-year-old in Singapore. Spare time is spent strumming his guitar, like many a good Filipino of his generation, and he also enjoys writing on investments and trends, something he does to great effect in their periodic client newsletter. “I try to give my personality in the reports, and I like to amuse when possible, but I am not easily that amused, which kind of explains why I am a bit slower at writing than I should be,” he quips, with a wry smile.

As to music, he prefers rock music that doesn’t use blues scales too heavily. “I enjoy the other side, bands like the Pixies, the Beatles, the New Pornographers, simple power pop,” he explains. “You can only listen so much to Robert Johnson. I don’t usually enjoy sitting through an entire blues album unless it’s by Stevie Ray Vaughan.”

