Understanding Asian client needs key to keeping their custom

Asian money can move at astonishing speed from one product to another, but wealth management providers can thrive in this transactional market so long as they put client needs foremost.

The velocity of the flow of money in Asian markets is remarkable.

On the positive side, this rapid turnover is a sign that Asian clients are now involved in "active discussion" with their wealth advisers about where they should invest, and there is more "structured engagement", says Damien Mooney, BlackRock's head of retail and wealth advisory business in Asia Pacific

Less positively, say other practitioners, the phenomenon could also make it a struggle for some institutions to retain clients, and their money.

"There are only elements of this trend we can control, and the number one is via performance," Mooney says. However, he adds, some clients take their assets elsewhere even when performance is strong.

"It comes down to creating hooks that increase client stickiness, and for HNW and UHNW individuals this is very credit led."

BRYAN HENNING
Barclays

"The velocity of the flow of money in Asian markets can make it a struggle for some institutions to retain clients, and their money."

As well as having strong performance, wealth management providers can also retain clients by focusing on the strength of their institution, according to Bryan Henning, managing director, head of global investments and solutions, Asia,

"If the client has not assessed how they will react to market changes then obviously you will not have sticky assets."

RAJESH MANWANI
Credit Suisse

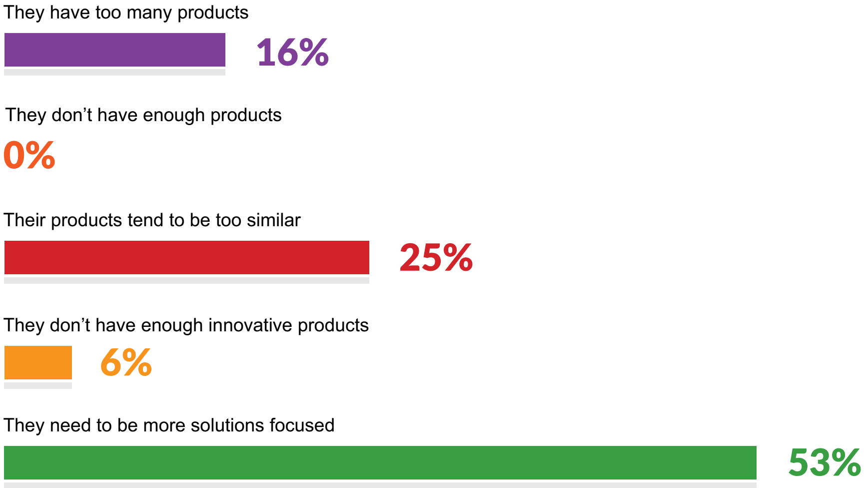
Middle East & Africa at Barclays. "It is about quality of relationships, which starts with the relationship managers (RMs) and senior management," he says. "Then it [comes down] to creating hooks that increase client stickiness, and for HNW and UHNW individuals this is very credit led."

While product gatekeepers within private and retail banks in Asia acknowledge that the amount of product they have to offer is largely beyond their control, they say it is necessary for them to cater to every jurisdiction, and regulatory authority, in which their clients are based.

Indeed, according to a Hubbis sentiment poll at its flagship Singapore event in May, a surfeit of products is not the area of most concern, with 53% of respondents instead saying private banks most lack a comprehensive range of solution-focused products.

A further 25% said products are too similar; 16% said there are too many products on the market; and 6% said there was not enough innovation. Not a single member of the audience voted that there were an insufficient number of investment options.

WHICH OF THESE STATEMENTS ABOUT PRIVATE BANKING PRODUCT PLATFORMS IS MOST ACCURATE?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

"If reading markets becomes any harder it will be a 24-7 job."

SIMON GROSE-HODGE
LGT Bank

"We need to account for client suitability requirements," notes Simon Grose-Hodge, head of investment advisory, South-east Asia at LGT Bank. "If a client is conservative or aggressive wants to invest in a particular area of the market we need to have the product to enable them to do this."

From the perspective of product appetite, although there is greater appetite among Asian HNW individuals for alternative investment opportunities, private banks need to respond to the post-2008 wariness of these clients around issues such as transparency and liquidity. "They have concluded that they will need more transparency in terms of risk exposure and what was going on in the portfolio," explains Andrew Au, head of Asia ex-Japan at Lyxor Asset Management.

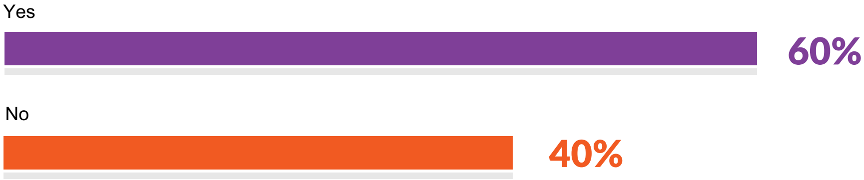
For example, he says more thorough and ongoing investment and operational due diligence is essential.

This can lead not only to shorter on-boarding cycles of the hedge funds, but also provide more security. More detailed portfolio reporting and construction tools are also in favour, he adds.

Further, Au says there is growing demand from private banks for UCITS hedge funds. "They meet clients' requirements for safer, regulated and transparent hedge fund investments."

> **"[Private banks] will need more transparency in terms of risk exposure and what was going on in the portfolio [for alternative investments]."**
>
> **ANDREW AU**
> Lyxor Asset Management

SHOULD BANKS MOVE FROM ADVISORY TRANSACTIONAL TO DISCRETIONARY IN ASIA?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore

MANAGING EXPECTATIONS

Although having quality products is important, increased use of discretionary mandates is pulling wealth management in Asia towards a more advisory-based model. This should be a positive development for the industry, says Rajesh Manwani, head of product Management, Asia Pacific at Credit Suisse Private Banking & Wealth Management. Even so, he cautions: "If the right client discovery hasn't taken place and the client hasn't assessed how they will react to market changes then obviously you will not have sticky assets."

Lennie Lim, managing director, regional head, Asia at Legg Mason Global Asset Management, agrees, adding that the biggest challenge for wealth managers was to make their products relevant to Asian investors' specific behaviour.

"This means a combination of product design and education," he says.

"We should drum in the need for diversification and long-term investment."

> **"The most important part of being on the same page as clients is to manage expectations.**
>
> **HANS GOETTI**
> Banque Internationale a Luxembourg

Managing clients' expectations is a vital element of this. It can be achieved by providing them with tailored products and services, notes Hans Goetti, head of investment, Asia for Banque Internationale a Luxembourg:

"You have to make sure you are on the same page as each of your clients," explains Goetti.

"The most important part of this process is to properly manage their expectations," he adds.

"Potential private bankers need to have seen a few investment cycles so they become a lot more confident when dealing with clients."

"I could show you two investors who start [with us] the same day and have the same risk profile and invest in the same product, but at the end of the day one will be happy [with the outcome] and the other is not."

Having the right interface, and technology, will be a vital part of tailoring product and service to Asian clients' disparate and wide-ranging investment needs, the panellists believed.

"We are facing client challenges, and compliance challenges in terms how quickly we are able to bring something to market," notes Henning.

"I see [technology] as having something working in the background that is able to understand a client's portfolio and feed in market events in order to generate recommendations. If we were to start our own private bank from scratch today, a digital front office would be the foundation of technology."

MOVING TO DISCRETIONARY

Returning to the topic of the move to discretionary advice first raised by Manwani, Grose-Hodge noted that this would be increasingly important as markets become harder to read for clients, and in some cases for industry professionals themselves.

"If [reading markets] becomes any harder it will be a 24-7 job. [Yet] many of our clients who have expensive lawyers and doctors think they can do their investment on their own," he says. "There is a need for people to use more discretionary advice, particularly in the current era of low interest rates."

However, Asia will need a tailored form of discretionary, argues Goetti, suggesting it would be blended with more, and deeper interactions with clients.

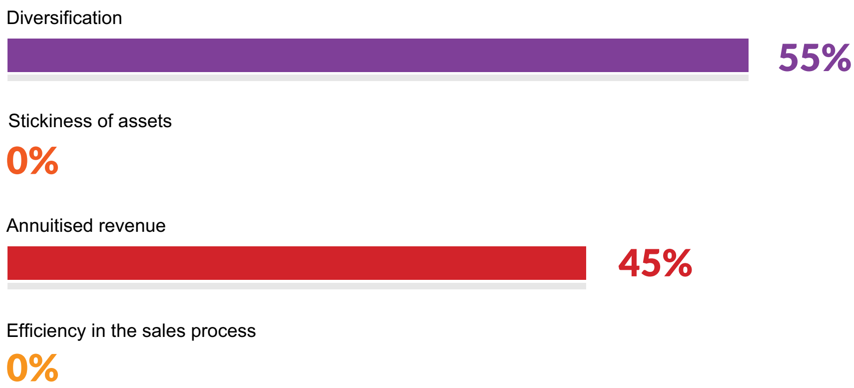
"[Asian clients] like to be in the loop and this will increase their comfort level," he adds.

Ultimately, says Henning, a firm's advisory service can succeed if it has the right service philosophy, and is able to avoid "force-feeding" any particular model to clients.

In another sentiment poll during the Singapore event in May, the audience was asked what their primary objective was when they are selling investment funds to clients.

Some 55% opted for diversification, and a further 45% said that they would prioritise annuitised revenue. ■

WHY DO YOU SELL INVESTMENT FUNDS TO YOUR CLIENTS? WHAT IS THE OBJECTIVE?



Source: Hubbis - Asian Wealth Management Forum 2015, Singapore