Wealth Preservation and Objective Advice: The Foundations of Wealth Management

Roughly a decade since managing partner Urs Brutsch founded the independent asset management firm HP Wealth Management, the firm has established itself as one of Singapore's standout independent advisory firms. He spoke with Hubbis CEO and founder Michael Stanhope at the Independent Wealth Management Forum to illuminate the delegates on how he thinks the industry has evolved, and to convey his vision of wealth management in 2019 and beyond. HP Wealth Management today offers discretionary and advisory portfolio management to Asia's high net worth individuals and since 2012 also to family offices. Brutsch has been in wealth management for roughly three decades, all in Singapore, an ideal location for his firm today as the nation's leaders and regulators have been so determined and innovative in building the country's financial and wealth services infrastructure and reputation.

What have you learned in the roughly three decades you have been involved in wealth management?

Brutsch: There have been tremendous changes in this industry, as someone remarked earlier today. However, the French saying that loosely translates into "the more things change, the more they stay the same" probably applies to wealth management, as clients have always looked for the same thing and probably will always look for the same thing, namely good advice and wealth preservation. Of course, some clients want to grow their wealth rapidly through investing, but by and large, wealth management remains focused on wealth preservation, as it has been for the past 30 years, I have been in this business here in Singapore.

URS BRUTSCH
HP Wealth Management

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On listening to the two panel discussions this morning, do you agree with the comments, or do you have different views?

Brutsch: I have some additional opinions, yes. The way we invest for our clients has changed, new products and so on, but again at the heart of what we do for our clients remains the same thing, and that is good advice and wealth preservation.

I think what has definitely changed over those many years is compensation levels in the industry. For example, I remember in the late 1980s, and early 1990s private bankers wouldn't even know how to spell the word bonus, it simply did not exist. All the fat bonuses were paid in investment banks and not in the private banks. That changed when banks realised that this is a potentially interesting business and bonuses started to flow, driving compensation levels up.

To recover that money, the banks became more innovative, leveraging a wide range of products, along with more trading activity. However, unfortunately, this also meant that these high compensation levels, high commissions, elevated targets really had to be met, resulting in behaviour and activity that were not necessarily in the best interest of the clients.

How would you explain the value proposition that you represent to your clients?

Brutsch: In our case, we feel boring is good. I do not think clients need additional excitement in managing their portfolios, I believe in preserving their wealth, and they can get their excitement in their businesses and their family and personal lives. We can say boring means providing advice that helps the client achieve what they want and to stay the course. Being consistent is also very important, so we do not aim to be too tactical.

How important is it to think and act in a fiduciary manner for your clients, to have real conversations and sometimes advise them not to do make certain decisions?

Brutsch: Of course, you try to hold them back if you genuinely believe something is not right for them, but again I think it comes back to being consistent. First of all, you must understand that the client is the most

important factor. And once you understand the client then you must be consistent in what you recommend, helping them construct their portfolio and again to stay the course. I reiterate that in my view being too tactical does not pay off, as the only people who benefit from that are the advisers and the banks who collect the commission.

I believe the client needs to have a proper strategic asset allocation as a roadmap and then stick to that as much as he can, in other words, he stays the course. If you look at that approach and if you take a very long-term view of the charts, for example the MSCI, you can see the path of the index through and despite all the ups and downs and the 1987 crash or the 2008 GFC are only blips. I think to stay the course and make some small tactical adjustments along the way, that is the way to go.

How do you charge fees to your clients?

Brutsch: We started our business almost exactly 10 years ago and from day one we did not take any retrocessions. We always wanted to be clear with our clients, not to have to change the fee model. We, therefore, try to negotiate the fees with the banks as low as possible, but also as reasonable as possible because we do not want to squeeze the banks too much, otherwise we would not get the service required. I do not think you can give honest advice if you take retrocessions because your recommendation, your thought process is poisoned by those revenue considerations, meaning you might not then give the best recommendations to your client all the time.

Are you still motivated to keep your business, rather than sell?

Brutsch: When you are 75, you may want to get out of it and be retired, but I am still young, and I have many more years ahead. I have never even thought about selling. ■