Creating the framework for funds distribution

Speaking at Hubbis' Vietnam Wealth Management Forum 2017 – Andrew Hendry of Westoun Advisors explains why mutual funds are essential for wealth management success, and how to build the capability and infrastructure.

The importance of mutual funds for banks as part of a wealth management business is relatively simple, according to Andrew Hendry, managing director, Asia for Westoun Advisors.

This view is based on the recurring revenue formula from mutual funds: creation of AUM, multiplied by fees – either for managing the fund, distributing it, or for the advice given, multiplied by years.

Yet the costs that most banks incur make the mutual funds business more challenging to get it right than it should be, says Hendry.

The salespeople represent the first significant cost; banks typically manage them via KPIs based on quantity not quality, which is where Hendry sees flaws.

Investment content is the next big cost, he explains, since many banks want to manage and sell their own funds. Instead, he advises firms not to be short-sighted or greedy, and take an open-architecture approach by tapping into the investment content that others have already developed.

A third big cost comes from expensive systems that many banks think they need, to be able to distribute funds.

The key to success, therefore, is creating a model built to last, says Hendry, adding that this is even more feasible somewhere like Vietnam, where banks are at the start of the mutual funds journey.

Such a model has three key components, he explains.

These are: first, outsourcing, where banks use third parties to benefit from the associated flexibility; secondly, delivering 'advice' not just focus on sales; and thirdly, charging fees for value. ■

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