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# What products should be promoted to HNW and UHNW clients in 2018?

*The independent wealth advisory community prides itself on having a bespoke approach to HNW clients. Do they feel that mainstream markets are living on borrowed time? Are they promoting alternative investments? A panel of experts discussed these matters and more.*

*These were the topics discussed:*

- *What funds / investment products have you got that are specifically relevant to this IAM audience?*
- *What's the role of structured products at time like this?*
- *How do clients buy and store physical gold? What's the importance of this for a typical client?*
- *Is buying ART an opportunity for wealth management firms?*
- *What are the typical mistakes people make when buying ART?*
- *Private vs Public - what's best?*
- *What strategies will enable Asian investors get higher returns, whilst been mindful of potential market challenges in 2018?*
- *Global equity markets have seen a strong run. Does it still have legs? Or are we reaching a terminal stage? Where do you now turn to drive long-term returns for a portfolio?*

## PANEL SPEAKERS

- **Lincoln Chow**, Director, Head of Sales, Hong Kong & Singapore, Financial Institutions Marketing, Commerzbank
- **Nicolas Mathier,** Managing Partner, Global Precious Metals
- **Blake J. Noah**, Managing Director, Fine Art Asset Advisor
- **Xavier Burkhardt,** Executive Director, Leonteq Securities
- **Craig Swanger,** Chief Executive Officer, Revolver Capital
- **Julian Kwan,** Chief Executive Officer, InvestaCrowd

**THE PANEL WAS THE LAST OF THE DAY AT THE HUBBIS INDEPENDENT WEALTH MANAGEMENT FORUM** of March 8, which took place in Singapore. The panellists represented a variety of global and more boutique banks and advisory firms.

A panellist began the discussion by focusing on private assets. "As in India we feel there is a big gap here in Singapore in terms of what family offices and clients were investing in and that gap is, loosely, private assets," he explained. "By that, I do not mean private equity, I mean any unlisted investment, excepting property."

### Diversification for protection

"It is primarily about diversification," he elucidated, "as many sectors these days are under-represented in the listed markets, for example, certain areas of technology. Secondly, private companies are less volatile as they are outside the quoted markets. Yes, there is

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NICOLAS MATHIER
Global Precious Metals

more risk being private assets, but that risk is assessable, and it is nice to be away from the tyranny of listed prices. Thirdly, the listed markets have become globally highly correlated and are therefore prone to exaggerated movements, sometimes with no direct link to the fundamentals."

## Art for art's sake?

Another expert highlighted the appeal of art as an investment. "Art is a good opportunity for wealth managers," he claimed. "It is a largely uncorrelated asset. The market has become more professional. The wealth transfer to younger generations is creating a lot of opportunities mainly in Europe and North America, for art collections to come back to the market after anywhere from 10, 20, 60 years. All these factors augur well for the art market."

He also noted that there are 'institutional' ways of investing in art. "There are several art funds, nobody quite knows the precise number, and there are even bond products being formulated backed by art. I believe the largest fund now is around USD1 billion."

"Each category of art is going to have different qualities," he added. "Old masters, impressionists, modernists, those going to be excellent stores of wealth, as they have proven in recent decades. If you want to try to accumulate wealth, selected contemporary works right now appear excellent buys,

XAVIER BURKHARDT
Leonteq Securities

LINCOLN CHOW
Commerzbank

for example, artists that were painting from the 1940s and 1950s are now passing on, which always helps the price."

## Gold – inert but not in a financial sense

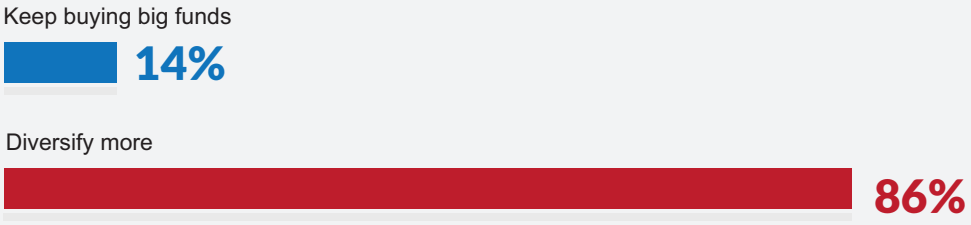
An expert in the precious metals market reported that gold achieved about 10% returns in 2017. "We see HNW clients becoming more educated and switching from paper money and ETFs to hold precious metals to having the physical gold with direct ownership," he reported. "Storing it has become much more professional and lower cost than before."

He explained that most buying relates to wealth protection. "People tend not to look at gold hoping to make a quick or large profit," he said. "It is more like insurance for a troubled time ahead. A gold bar as large as 9 pounds in weight is worth USD40,000, and yes people are getting a bit scared these days with markets where they are and geopolitical concerns."

He explained that the trades his firm works on are at least USD500000, sometimes more than USD20 million. "The private banks do not tend to like working with us, as they think they lose client assets. So, we prefer to work regularly with independent and external asset managers, as well as the lawyers and trustees, because they all understand that the clients want to have physical gold outside of the banking system."

BLAKE J. NOAH
Fine Art Asset Advisor

### DO YOU THINK WEALTH MANAGERS SHOULD KEEP SELLING THE SAME BIG FUNDS OR SELL MORE BOUTIQUE AND SPECIALIST FUNDS?




Source: Hubbis Independent Wealth Management Forum 2018

## Structured products gain sway

The moderator then turned the spotlight on structured products. "I will proffer my personal opinion right now, as we listen first to our clients before we prescribe for them," said one panellist. "But since the last quarter of 2017, we have shared a lot of ideas on protection.

Volatility was cheap, so it was a very good environment, but not so many people took advantage. Then in February when the market correction happened, everyone wanted to buy protection, but obviously, it was too late, volatility was suddenly expensive again. Nevertheless, purchasing some sort of protection is still cost effective given the current environment."

Another expert advised clients and their advisers to consider put or call options on various structures to preserve some upside while protecting more downside. "The independent wealth community has an opportunity here to step away from the private bank style of product pushing," he said. "Focusing on a specific product for a specific need will be even more relevant this year as the markets are flat or moving sideways."

One panellist turned the focus on private debt or private credit, which he described as a gigantic asset class of some USD67 trillion.

"This is an under-invested sector from an HNW perspective, but offers returns of 8% or more per annum, even after factoring in fees, defaults and so

XAVIER BURKHARDT
Leonteq Securities

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### ARE PASSIVE FUNDS AND ETFS BECOMING A MORE IMPORTANT PART OF YOUR CLIENT'S PORTFOLIOS?


Source: Hubbis Independent Wealth Management Forum 2018

forth, looking of course on a diversified selection basis. So, this is well worth considering in a broadly invested portfolio."

## Property – the global constant

The moderator then turned the attention to the property market. "There is a wonderful opportunity for investing in real estate projects, both debt and equity," explained one panellist. "We focus only on developed markets and senior debt for example in Australia offers returns of 8% to 15%, which surprises a lot of investors."

He also pointed to the structural benefits of the ICO [Initial Coin Offering] concept. "We are now seeing the first real assets coming out where people are issuing their shareholdings in the structure, issuing the smart contracts and the digital tokens. This could bring liquidity to an entire private asset class. We are now launching an ICO to build a real estate token exchange, certainly the wide end of the spectrum for non-traditional assets."

CRAIG SWANGER
Revolver Capital

Returning to direct property investments, the panellist explained that his firm invests clients' money across a variety of instruments, from senior debt to mezzanine finance, preferred equity as well as ordinary equity. "If a client feels that the prices are high and there might be some downside, but that the company or project is stable then he might go in the senior debt. But there are risk profiles for different clients that match their return expectations. The higher the projected risk, the higher the return, of course." ■