

Why next-gen digital platforms will revive portfolios

Will Lawton of Eigencaat believes that the shortcomings in the Asian private banking and wealth management model call for digital platforms to evolve to create a better way to manage risk and performance parameters.

A former trader-turned-banker, Eigencaat chief executive officer Will Lawton saw two fundamental issues in wealth management in Asia that have driven him to develop a digital answer to the industry's big issue around managing investment portfolios.

modern portfolio theory weren't working; asset allocation based on the performance of asset classes when they were not performing in a normal manner didn't make sense. In fact, Lawton believes the whole investment process has been flawed for some time, in terms

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On the one hand was a post-2008 business model that says was broken – it was trying to still earn revenue and cut costs despite a heavy compliance and regulatory burden and wary, untrusting clients.

The second problem that Lawton saw was that investment processes using

of how products are selected and portfolios are constructed.

As a result, he doesn't think that the end-investor has been at all well looked after – especially since most banks have been more focused on getting documentation right and avoiding risk in order to stay compliant around suit-



WILL LAWTON
Eigencaat

ability and other requirements. Investment performance for client portfolios has suffered. The upshot for Lawton was to quit banking and set up Eigencaat

in Singapore. In short, it is a multi-product robo-advising software which provides automated portfolio management advice without the use of humans.

It combines sophisticated analytics and innovative visualisation to deliver what Lawton calls “an intuitive view of portfolio performance, volatility and risk across all levels”.

Wealth managers and individuals can therefore manage the risk and performance parameters of their investments.

GAINING DIGITAL GROUND

Private banks in Asia have generally been cautious in embracing digital advice tools.

Although they have been showing signs of interest via initiatives like setting up incubation centres, launching accelerator programmes and hosting hackathons, a lot of this has been more about generating press and marketing than having any real substance.

In Lawton’s view, making real digital progress is not just about automating or improving in-house systems to better inform sales or investment staff. Instead, the focus should be on giving more choice and access to clients.

not taken off as they are overly-focused on ETFs and index products, to offer cheaper and more transparent products. They have also been more about glossy front-ends and less about investment processes.

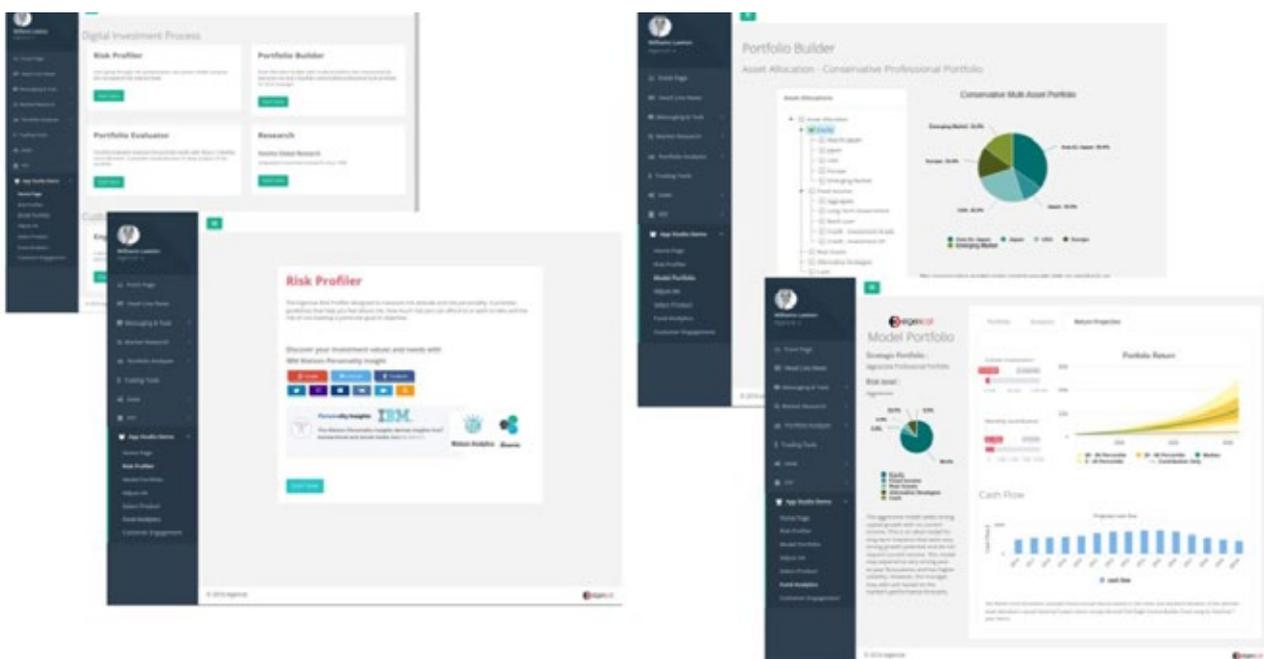
“It is the second and third generations which will have more substance, and therefore get more traction.”

“The present generation of wealthy investors wants a more digital experience,” he says. “The FX transfer systems such as Revolut and Transferwise are changing the way business is conducted and banks should be aware because it’s going to change their world.”

For robo-advisors, more specifically, Lawton says the first generation have

It is the second and third generations which will have more substance, and therefore get more traction, he predicts.

Using a multi-product approach, it enables users to select the optimal route to market, whether that is a fund, ETF, security or alternative. “It’s great to use funds if alpha exceeds costs,” he explains.



This also better suits private banks and those advisers serving HNW, which will require a much greater product choice and also far more thematic and/or tactical digital portfolios.

As a result, these robos will pose a far greater challenge to the banks.

At the same time, as digital advice becomes more expensive, it will be a fee-based approach.

A NEW WAY OF THINKING

Eigencat aims to be part of the new wave. Rather than being deeply disruptive, it provides a sales enablement and productivity tool that offers a more tangible way for private banks to measure the impact on revenues.

This is, in fact, a key aspect of the firm's value proposition.

The first iteration of the product was based on a proof-of-concept with some private banks and wealth managers in the UK in early 2016. While client feedback was positive, the big questions for the banks was whether it would generate more revenue.

Since then, Eigencat has evolved into a digital investment platform that has proved successful because, believes Lawton, it has been built from the back end with a focus on investing. With this in place, he has then added the user interfaces and other features like digitised research on asset classes globally, in order to evaluate a portfolio.

"It has become a modular digital investment platform," he explains. "Compared with many robo-advisers, we are multi-product and product-agnostic."

The fact that the company's co-founders have strong backgrounds in the financial and technology sectors is another key differentiator, believes Lawton.

In addition, by using Eigencat's digital platform, a client's portfolio is efficiently managed 365 days a year.

"If there any exceptions like bridging of risk levels, high volatility or high correlation in the portfolio, the banker is alerted and action is taken, depending on the issue with the portfolio, to bring it back on track," explains Lawton.

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By contrast, the approach taken within a more traditional wealth management interaction would be to involve an investment specialist in monitoring a client portfolio a few times a year, at most.

Only the largest and most profitable clients from the bank's perspective would get sufficient attention to warrant a regular conversation on the portfolio.

A WIDER NET

Lawton says he will continue to approach private banks in Singapore with his platform, but he also has plans to

start engaging insurance companies and asset managers. He will also broaden his scope to target customers across other Asian markets.

"We have a partner in the US – Vestmo – which supports us in some of our research and portfolio construction, and from the regulatory environment, the US is easier to engage with than some countries in Asia."

In addition, Eigencat migrated its existing systems in November 2016 to IBM Cloud's Platform-as-a-Service, Bluemix, to deliver digital investment solutions

for the financial market. The firm also presented at the Singapore Fintech Festival – just after this – its Robo Chatbot capability via IBM Watson on Facebook messenger.

The shift to IBM has instantly resulted in a reduction in lead time for application development – from seven days to two. Plus, Eigencat also reduced system administration effort by nearly 20%.

Further, the fintech start-up is using the IBM Cloud to develop new cognitive-based investment solutions using Watson APIs to broaden its reach in and outside of Singapore. ■