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Asian Wealth Management Forum 2019 - Hong Kong

Post event supplement

Asian Wealth Management Forum 2019 - Hong Kong Post Event Supplement

Over 375 CEOs, COOs, CIOs, senior management, asset managers, and advisors attended – from a mix of Private Banks, Retail Banks, Asset Management, Insurance Companies, Independent Firms & Family Offices, and IFAs.

Thank you to all of our event partners: Henley & Partners, Hawksford, Leonteq AG, Sun Life Financial, Simon-Kucher & Partners, Casamont, Neo Risk Investment Advisors, CFA Institute, Finance-Malta, Bordier & Cie, Ryder Diamonds, Trident Trust, ERI, Jersey Finance, Refinitiv, Finantix, Labuan IBFC, Swissquote, Butterfield, HSBC Global Asset Management, Sovereign, J. Rotbart & CO., J O Hambro, Global Precious Metals, Enhanced Investment Products Limited

We have now completed and compiled all the content from the day for your interest. Click here to view all content, or see details below.

HIGHLIGHTS

- Link to Event Homepage
- Link to Content Summary page
- Link to Photos
- Link to Video Highlights

OTHER EVENT CONTENT

We interviewed senior participants and speakers on the day, and you can view the Video Highlights which gives you a great overview of what's critical in this space today.

Or you can click on the links below and just listen to specific comments from the following individuals who are in the complete video;

- I love wealth management
- Agnes Shea, Leonteq Securities
- Alison Brown, HSBC Global Asset Management
- Aman Dhingra, UBP
- Anna Wong, Hong Kong University
- Arjan de Boer, Indosuez Wealth Management
- Damien Piper, Finantix
- David MacDonald, Hubbis
- Silvio Struebi, Simon-Kucher & Partners
- Evrard Bordier, Bordier & Cie
- Federico Vasoli, FinanceMalta
- Jean-Louis Nakamura, Lombard Odier
- Kees Stoute, EFG Private Bank
- Malik S. Sarwar, K2 Leaders
- Markus Grossmann, Trident Trust
- Michael Levin, Credit Suisse Asset Management
- Michel van Leeuwen, Hawksford
- Nick Pollard, CFA Institute
- Patrick Donaldson, Refinitiv
- Simon Godfrey, EFG Private Bank
- Tariq Dennison, GFM Asset Management
- Vincent Magnenat, Lombard Odier
- Yiannos Trisokkas, Casamont Cyprus

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Contents

Asian Wealth Management Forum: Hong Kong 2019 Summary

We were delighted to host our 9th annual Asian Wealth Management Forum on February 26 in Hong Kong for the Private Wealth Management Community. It was an immense success, yet again, as you will see below from the brief snapshots of the 20 discussions, presentations, talks and workshops.

IN EXCESS OF 350 CEOS, COOs, and other senior practitioners attended - from a mix of local and international Private Banks, Retail Banks, Insurance Companies, Independent Firms & Family Offices, Asset Management Companies, and IFAs.

The Forum produced a remarkable flow of four lively panel discussions, 12 interesting presentations and talks, and a further four in-depth, insightful workshops.

Thank you to all of our delegates for giving up your time and very often your insights and feedback to attend the event. Thanks to our many expert speakers for their diligence and insights.

And thanks also to our event partners: Henley & Partners, Bordier & Cie, CFA Institute, Casamont Cyprus, FinanceMalta, Hawksford, Leonteq Securities, Neo Risk Investment Advisors, Ryder Diamonds, Simon-Kucher & Partners, Sun Life Financial, ERI Banking Software, Finantix, Jersey Finance, Labuan IBFC, Refinitiv, Trident Trust, Butterfield, Enhanced Investment Products, Global Precious Metals, HSBC Global Asset Management, J O Hambro Capital Management, J. Rotbart & Co., Sovereign Group, and Swissquote. ■

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Asian Wealth Management Forum 2019 - Hong Kong

Video Highlights

At the Hubbis Asian Wealth Management Forum 2019 in Hong Kong on February 26th, we asked leading industry experts - what are the opportunities and challenges for the year ahead?

Click here to view the video highlights.

We hope you enjoy this summary – it's packed with content from the forum. You can click on the speakers Name to view their BIO. You can also read the transcripts in this document - and click on Watch Video to view their exclusive interview.

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Who did we interview?

Agnes Shea
Co-Head Private Banking Sales Asia
Leonteq Securities
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Alison Brown
Director & Head of Sales,
Wholesale Business
Hong Kong and China
HSBC Global Asset Management
Watch Video

Aman Dhingra
Managing Director,
Head of Advisory - Singapore
UBP
Watch Video

Anna Wong
Professor of Practice in Finance
Hong Kong University
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Arjan de Boer
Deputy Chief Executive,
Head of MIS, Asia Market,
Investments & Structuring
Indosuez Wealth Management
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Regional Director, Asia
Finantix
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Head of Learning Solutions
Hubbis
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Dr Silvio Struebi
Partner
Simon-Kucher & Partners
Watch Video

Evrard Bordier
CEO and Managing Partner
Bordier & Cie
Watch Video

Federico Vasoli
Director, dMTV Europe,
Member of FinanceMalta
FinanceMalta
Watch Video

Jean-Louis Nakamura
Chief Investment Officer,
Asia Pacific;
CEO, Hong Kong
Lombard Odier
Watch Video

Kees Stoute
Chief Executive Officer,
North Asia
EFG Private Bank
Watch Video

Malik S. Sarwar
CEO
K2 Leaders
Watch Video

Markus Grossmann
Managing Director
Trident Trust
Watch Video

Michael Levin
Head of Asset Management,
Asia Pacific
Credit Suisse Asset Management
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Michel van Leeuwen
Group Chief Executive Officer
Hawksford
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Nick Pollard
Managing Director, Asia Pacific
CFA Institute
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Patrick Donaldson
Head of Market Development,
Wealth Management,
Asia Pacific & Japan
Refinitiv
Watch Video

Simon Godfrey
Senior Vice President,
Head of Products
EFG Private Bank
Watch Video

Tariq Dennison
Free-only Investment Advisor
GFM Asset Management
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Vincent Magnenat
CEO of Asia Pacific
Lombard Odier
Watch Video

Yiannos Trisokkas
Managing Partner
Casamont Cyprus
Watch Video

Agnes Shea
Co-Head Private Banking Sales Asia
Leonteq Securities
Watch Video

Definitely some of the challenges beyond the market environment. It is the type of challenge that, whether the client is willing to take on the amount of risk that they agreed to take on originally. So, for example, the RM might be telling the client this is the amount of risk that you're going to be taking, but when really market downturns and it's not performing accordingly, are they willing to accept that type of risk? I think that's one thing that's from the educational perspective and whether the client is willing to learn. That's one challenge that I realize we've been facing in the wealth management industry.

Alison Brown
Director & Head of Sales, Wholesale Business Hong Kong and China
HSBC Global Asset Management
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I think one of the challenges for retail clients this year will be having enough confidence to go back into the markets after what was a very difficult year in 2018. At the beginning of this year, we've seen an uptake in markets, but I think it's going to be awhile until the larger client-base actually wants to reinvest.

Aman Dhingra
Managing Director, Head of Advisory - Singapore
UBP
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Like every year, 2019 again, started off on an interesting note. This time, we started off with a very, very strong recovery coming after what happened during Q4 of 2018. However, the global landscape hasn't fundamentally changed. I think geopolitical risks still dominate the headlines. Today, I might feel like we're moving more towards a resolution. But, given the motivations behind these geopolitics, the situation can change very quickly. I think as investors, it's probably still a time to remain optimistic, yes, but on the whole, relatively conservative, relatively 'batten down the hatches', if I may express it like that. And show there's enough asymmetry in the return profile of portfolios, and show there's defensiveness on the downside, but keep invested in the markets nevertheless, as things look better in the short run.

Anna Wong
Professor of Practice in Finance
Hong Kong University
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In terms of business opportunities for Hong Kong, I'm sure everyone agrees, China is growing fast. In wealth management, we're always talk about new wealth creation, okay. And this new wealth created in China obviously benefits Hong Kong. Some of this wealth are flowing through into international market through Hong Kong and coming to Hong Kong. And with this growth of China and obviously the growth of Greater Bay area, where the governments now focus heavily on, both the Hong Kong government and the PRC government, I think there are a lot of opportunities for Hong Kong banks, Hong Kong industry to tap this growing trend of

wealth in China. And Hong Kong being the wealth hub of China and of Asia.

Arjan de Boer
Deputy Chief Executive, Head of MIS, Asia Market, Investments & Structuring
Indosuez Wealth Management
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Volatility is bound to be with us for the entire year. We saw that changing late 2018, and we think that will continue to be the case throughout 2019. At the same time, equity markets and fixed income markets become less attractive, so it's really a year where alternatives will play a big role.

Damien Piper
Regional Director, Asia
Finantix
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I think there's a balance of both great opportunities this year, and also some major risks. I see, for example, just on a personal basis, that the stock market hasn't corrected itself majorly in a long, long time, so it could be an interesting and challenging year for profitability for a lot of, let's say, high end wealth managers. But also, maybe on the more positive side, I think technology is really enabling now proper, let's say, agility in delivery and customer servicing, so we see lots of opportunities in simple things like speeding up the onboarding times to actually save, let's say, both OpEx, but also enable, let's say, share of wallet much quicker for banks. Today at the event, I spoke to one of the major wealth managers here, and their percentages of basically unfunded accounts was astronomical, so just by getting the core basics right, then you are going to earn a lot more money.

David MacDonald
Head of Learning Solutions
Hubbis
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The challenges the practitioners face, perhaps, I don't know that they've changed very much. The challenge of remaining relevant, the challenge of retaining clients, a challenge of genuinely delivering something that clients value, other than just being transactional hubs around which clients decisions are made, the challenge of strengthening and building relationships in a market where still I hear lots of advisors tell me clients don't really want a relationship, they just want someone to do what they need to do. That would be a challenge. Opportunity, I think, on the flip side, same argument. Opportunity to actually show that you are capable of building a solid relationship, that you can show some empathy with the client, that you have an understanding more than just about how much money they've got and how much they're trying to generate and return from that, but understand a little more deeply, and more profoundly why are they looking to invest? What are they looking to protect? What are their goals and aspirations? What are their dreams?

Dr Silvio Struebi
Partner
Simon-Kucher & Partners
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I think the regulatory environment will be challenging in the next couple of months. Everything that's linked to fee transparency will further drive down margins. On the other hand, I mean, volumes in the markets are a bit low. That's why the banks will earn even less in the future.

Evrard Bordier
CEO and Managing Partner
Bordier & Cie
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CRS has changed the world as we know it. Therefore, I think the two questions that private banks should face is why you, why should someone come to your bank versus another bank? And what is the differentiating factor between you and someone else, but also between your different level of servicing, between premier, gold and private banking. I think those two questions are key. Why that bank versus another bank, and that level of servicing versus another one. Because today, premier and gold, they're all the same. Basically, a bit more product, a bit less product, but all the same.

Federico Vasoli
Director, dMTV Europe,
Member of FinanceMalta
FinanceMalta
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I think that as some panellists discussed, the difficulty is represented by the amount of data available. So, there is a lot of data available. They data is available also to non-savvy investors, and available to clients of course. They have to be, in a way, interpreted, digested and translated for the interest of the client. Especially when it comes to asset protection, which is probably number one issue. So, I would say that data access and data processing are the main issues to be tackled in the new feature, especially with the development of artificial intelligence, and other sources of automation. I see that for instance, in smart contracts that are linked to block chains, which is an area that I work on quite a lot.

Jean-Louis Nakamura
Chief Investment Officer,
Asia Pacific,
CEO, Hong Kong
Lombard Odier
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We just went through a very difficult market last year. Not only in terms of returns, but in terms of sort of diversification between assets. So, probably for many banks which are relying on a transactional model [the year] has been tough. For banks, which are relying more on the digital models, it has been also tough because it was difficult to provide value in such a market. It's always permanently, you know, a challenge for banks to prove their value-add to clients. So, when you face this kind of environment, you have to be even better the following year in order to convince your client that you really are on track to deliver value for them in the long run.

Kees Stoute
Chief Executive Officer, North Asia
EFG Private Bank
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In terms of opportunities I think we have spent quite a bit in the last few years. Also, after the integration with BSI on making sure that we have a very solid and robust platform. In that sense we have now the opportunity to embark on a journey of growth. The key challenge of this is to bring that message across to the industry, so that we attract the right calibre of people to help us in that journey.

Malik S. Sarwar
CEO
K2 Leaders
Watch Video

The biggest challenge is the same as has been before. Clients must trust us, so that they should then entrust us with their money because we really, really care for them, for their families and for their long-term goals.

Markus Grossmann
Managing Director
Trident Trust
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The greatest opportunities we see right now are because people have various challenges. It's on a tax side, it's on asset protection, succession planning and there is an increasing awareness of this and that creates big opportunities for firms such as Trident to have those discussions with the clients. Also, from an Asia perspective, within China there's lots of discussions, lots of rumours going around, so we have an increasing need for those people to discuss those challenges.

Michael Levin
Head of Asset Management, Asia Pacific
Credit Suisse Asset Management
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A lot of people talk about fee compression. I think it's real. I think we have to be thoughtful and strategic about the fees that are charged relative to the services and value that are delivered to clients. So, I think it's a challenge. On the one hand, you have fee compression, but it's also an opportunity to be differentiated relative to your competitors in how you price and the type of services that you deliver. In particular, I think the opportunities are to be more solutions-oriented, and to increase the level of personalization for the same or reduced fee.

Michel van Leeuwen
Group Chief Executive Officer
Hawksford
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I would say structuring for those families. Figuring out if they are doing the right things, in the right place. Making sure they get the right advice. I think jumping off, or into a pool from the deep end without knowing if there's any water in it, is never good advice. So, make sure you well collateralize before you take the jump, if you will. Ensure that when you're looking for wealth management, wealth protection, as said, you go up the right advisors. And with that, ensure that you hold them to account when they actually take care of your business or your family.

Nick Pollard
Managing Director, Asia Pacific
CFA Institute
Watch Video

There are lots of changes happening in our industry. Technology, customer preference, consolidation, all sorts of things happening. And I think you need to be abreast of those. One thing I've noticed more than anything since I've been in the CFA institute, is that customers have access to information now that they never had 10, 15 years ago. And they make their decisions based on that information. So, if you're not thinking about what they're thinking, then you're out of step with your customer base.

Patrick Donaldson
Head of Market Development, Wealth Management, Asia Pacific & Japan
Refinitiv
Watch Video

I think the biggest challenge is just the uncertainty that's going on in the world politically, economically, socially, and from the environment's point of view. You can't predict the future. Nobody ever can. But I think the level of uncertainty at the current time feels higher than we've been used to for quite a long time, and that represents a big challenge for

anybody in the wealth management business. On the flip side, the opportunities really come from us being in Asia and the rate of growth of the wealth that individuals have. If we can help spenders become savers, and we can help savers become investors, then the wealth management industry got a tremendous opportunity to grow. The one big trend, it's not new, but the technology developments that are taking place represents a massive opportunity for wealth managers to really help investors deliver better returns.

Simon Godfrey
Senior Vice President, Head of Products
EFG Private Bank
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If we're looking at the challenges, there has obviously been a long, protracted bull market in many asset classes. We've had very benign economic conditions for many years, geopolitical risk has not really been a factor. So, when you look at the challenges going into this year, it does seem that some of those factors are starting to subside, and what you're seeing is risk has started to rear its head again. We saw this in the last half of last year, and we believe that that is a shift upwards in the risk profile of markets. Therefore, clients need to understand this. They also need to manage their expectations with regards to this. I believe that creates many opportunities. We've seen a lot of opportunities being created in the markets in 2018. It wasn't a good year for investors. That's created value in certain asset classes. It's also creating value in some long-term secular trends, but at the same time we don't think it's the time to be a hero. So, it's not a time to be able to be picking up nickels in front of steamrollers. Let's be cautious, but let's be optimistic.

Tariq Dennison
Free-only Investment Advisor
GFM Asset Management
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Well, I don't think the challenges this year are any different than they have been in previous years. It's really a matter of getting clients to save regularly, have meaningful asset allocations, and to keep their portfolios in line with their goals. Some of the changes we looked at last year were, of course, tax changes in the US. This year, we still have a huge valuation gap where US equities are trading at much higher valuations than those in most of the rest of the world. US yields are higher than those in the rest of the developed world, so that presents an opportunity from an allocation point of view, but also presents challenges for those who don't want to veer off the index.

Vincent Magnenat
Chief Executive Officer of Asia Pacific
Lombard Odier
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So, the main challenges, main opportunities would be first of all linked to the market, let's see if we are on the market with this report here in 2019. It would also be a link to the talent, talent development, talent acquisitions that we'll have over the years and obviously making sure that we can work on what our clients expect in 2019.

Yiannos Trisokkas
Managing Partner
Casamont Cyprus
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The opportunities and challenges in the world today are certainly many, and that's where the proposition of an alternative citizenship and residency by investment is coming in to facilitate the family traveling, to facilitate the family safety and also job opportunities all over the world and especially also in Europe. Clients or HNIs are really interested in order to structure their wealth but also their family safety and opportunities for their children. ■

Asian Wealth Management Forum 2019 - Hong Kong

Exclusive Insights

At the Asian Wealth Management Forum 2019 in Hong Kong on February 26th, we asked leading industry experts for their insights

We hope you enjoy this summary – it's packed with content from the forum. Click on the speakers Name to view their BIO. You can also read the transcripts in this document - and click on Watch Video to view their exclusive interview.

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Head of MIS, Asia Market,
Investments & Structuring
Indosuez Wealth Management

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David MacDonald
Head of Learning Solutions
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Dr Silvio Struebi
Partner
Simon-Kucher & Partners

Entela Benz-Saliasi
Adjunct Associate Professor,
Department of Finance
HKUST

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Vincent Magnenat
CEO of Asia Pacific
Lombard Odier

Agnes Shea
Co-Head Private Banking Sales Asia
Leonteq Securities

How do you choose the right investment product for the current market environment?
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First of all, you'll need to know what your investor is looking for, what their time horizon is, what amount of risk that they can take on, before you can really think of what product that actually makes sense. And obviously with the market has been rapidly changing, a lot of times it might work now; it might not work six months down the road, it might not work 12 months down the road. That's why it's super important to know what the investment horizon is for the investor, and I think that's why, for stricter products for example, we try to put that into our minds and make sure we know, for example, to come up with different solutions for a different time horizon, and also just to make sure that we apply the amount of reward for the risk that the client is willing to take on.

Alison Brown
Director & Head of Sales, Wholesale Business Hong Kong and China
HSBC Global Asset Management

What digital expectations do clients have?
Watch Video

I think there's an increasing interest in digital and their expectations are rising. And that goes sort of along the investment journey, everywhere from the discovery right through to the investment; tailoring the investment, having competitive products to look at, having chat bots, whatever it is that they want. And also, then the seamless transactions clients are wanting a very easy flow through process. The other side where I think digital's increasing in expectation is also on the engagement; the tailoring of communications for clients, giving clients relevant information at the right time. So, I think overall the whole process from discovery all the way through to engagement and obviously with communication is digitally enhanced.

Aman Dhingra
Managing Director, Head of Advisory - Singapore
UBP

What is your client's expectation on yield today?
Watch Video

Client expectations and yield never really seem to change. It's as high a yield as possible for as low a risk. So, I would say client expectations and yields, honestly, have been anchored for a long time, where clients are still looking for high single digit returns from their portfolios. What I will say is, though, that as the interest rate cycle out of the US has normalised and returns have moved up, it's more achievable, those numbers, so I think that's one real positive out of this, that we believe we can now match client expectations further, as expectations of rate hikes have diminished and the forward is actually pricing a potential rate cut. I think it's also a time when you can extend your duration risk, albeit you've got to watch the timing of that, because the curve is relatively flat, and therefore going

too long is not giving you pick up, at least on a duration basis. There's still a story on the credit spread basis, so I think it's a better time to be invested in the fixed income markets. And there is that opportunity to get the yields that the clients need.

Anna Wong
Professor of Practice in Finance
Hong Kong University

What's Hong Kong doing to improve the value proposition in wealth management?
Watch Video

I think I need to pull back a little bit after the financial crisis which happened in 2009. I think since the financial crisis, I think Hong Kong learned a lot. Hong Kong, I mean not just the overall market, but the practitioners and the investors. I think a lot of things have progressed since 2009, the global financial crisis. And the overall dynamics of our investors' knowledge, our bankers' knowledge have helped us to maintain Hong Kong's growth as an international financial wealth management centre. Specifically, what has been done, I think we have to upgrade our banks. In terms of their competency and knowledge and taking the clients' interest first. I think we have done a lot through the regulators, of course, through the banks own value proposition. So, our bankers are now more equipped to deal with our clients. Not just from investment perspective, but a more holistic approach in dealing with our clients. And on the other hand, clients' knowledge, clients' education level, their investment experience, understanding market dynamics, understanding of risk

have also improved. I think all these help us to build the industry to be healthier and stronger.

Arjan de Boer
Deputy Chief Executive,
Head of MIS, Asia Market,
Investments & Structuring
Indosuez Wealth Management

How will you generate income in 2019?
Watch Video

We've turned from neutral to positive when it comes to equity markets. We've now turned to neutral to negative. A similar story when it comes to fixed incomes. Where we see value for our clients is really when it comes to alternatives, hedge funds, hedge fund mandates, private equity. We're quite positive on commodities, and precious metals, and in relation to that, currencies that support that, like the Norwegian kroner, the Canadian dollar, the Australian dollar, the Brazilian real. So, in those four areas we see opportunities for our clients.

Is there an increasing interest in ESG?
Watch Video

Absolutely. We did a poll amongst our clients three years ago, about whether or not they found ESG important when it comes to making investment decisions. I think it was less than 40%, at the time, that took ESG into account. Two weeks ago, we did the same poll, and it was over two thirds of our clients that found this quite important. You also have to realise ESG is no longer a hobby. It's really becoming mainstream. In the past, I think clients were afraid to lose out when investing in stock or securities with high ESG credential, and now it's the other way around. They fear they lose out if they do not invest in securities like that.

Damien Piper
Regional Director, Asia
Finantix

To what extent has the value proposition got to change in the next ten years? And what competitive threats should we be concerned about?
Watch Video

Definitely from a digital wealth perspective, where we come from, over the next 10 years, there's threats, obviously, from the robo-advice movement. Interestingly, that was always supposed to be all about millennials, but you look at all of the large ones in America, it's actually the mid-career people who are investing in those. So, that will be a, let's say, a competitive drive against private banks, but if private banks are smart in how they can use technology in more of a hybrid advice approach, where it's not effectively being totally robotic and completely automated, but highly personalised, and more of a tool for collaboration between banker and customer.

David MacDonald
Head of Learning Solutions
Hubbis

Will the average adviser in wealth management in Asia be replaced by a robot anytime soon?
Watch Video

I don't think that the best advisors who have really deep and meaningful conversations with their clients and who are seen as true partners of those clients are likely to be under threat of replacement by artificial intelligence, robots, or anything else any time soon. But those advisors who simply act as order takers who are transactional bankers rather than true holistic wealth planners, then if they're not already under threat, they soon will be when clients and younger generation clients realize and experience that they can do what they currently do with bankers, but with no human contact and it's more reliable, it's faster, and it's cheaper.

Dr Silvio Struebi
Partner
Simon-Kucher & Partners

Do wealth managers have to rethink their revenue mix?
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When we look at the current revenue mix, I mean, almost 40% of existing revenue is account from transaction fees and trading fees. And these components are heavily under pressure, due to changed client behaviour, you have the regulatory environment, you have fintechs, new market entrants, and they all drive down the revenues. And in the future, banks must find ways to better monetize their core services. One way to do this is that they launch entry-level advisory and discretionary mandates that enable clients to become familiar with recurring services and recurring fees as well, to compensate part of these fees, but overall it will be very difficult to compensate everything.

Is the next generation willing to Bank with daddy's banker?
Watch Video

Yes, and no. We recently did a survey in Hong Kong and Singapore and we found out that 60% of today's millennials are not entirely happy with daddy's private banker. And that's a big challenge for the bank, to retain the loyalty of these customers, because these customers are better educated, they know the alternatives and they might give also a chance other banks or alternative investments, in a way that they might go for a robo, they do more online trading. It will be challenging.

Entela Benz-Saliasi
Adjunct Associate Professor, Dept. of Finance
HKUST

Is ESG data good enough to use for investment decisions?
Watch Video

So initially we would say we don't have enough ESG data. Now we have too much ESG data and with the data being so much, we have a lot of noise in the data. So, number one, you have to clear up the noise. You have to clear up the data and number two, the data is very static - once in a year data. So how do you make it more dynamic? You can implement them, you can increment the data, ESG data, by using sentiment analysis, so you use some artificial intelligence within the ESG framework to make the ESG data more robust.

What drives the demand for ESG Integration Investment?
Watch Video

What drives ESG integration? Number one, demand from investor, be it millennials and women. As well as the mid-age and up, like 50 and 60 years old, as they become aware of environment social governance factors. The second factor will be the demand for higher returns. So, you either have a better model, or you have better data. So better data, more information about ESG, can drive return if they are integrated in a suitable way and managed in the right framework. What can go wrong with ESG? Many things can go wrong with ESG. If you use a noisy indicator, you get noisy results. If you use wrong models, you get the wrong result. So ESG application depends on what indicators you focus, whether they are material and financial for your sector, for your company. Number one. And number two, what is the theme, what is the value that you are looking for out of your ESG investing.

Evrard Bordier
CEO and Managing Partner
Bordier & Cie

When Building a private bank: what are the 3 strategic questions?
Watch Video

For large commercial banks wanting to build a private bank the three questions they should answer is firstly, do they want to enter private banking? As such, we have ample evidence that private banking is a fantastic business to come into, although it's full of challenges as well. Second is when you build a private bank, do you do it yourself, or do you do it with a partner? We believe that obviously you should choose a partner, and you should focus on what you know best and delegate the things you're not good at.

The third question is when you choose a partner, do you take a small partner or a large partner? For this, well, if you take a large one, it has no media impact, but obviously is very well known. So, both have benefits and weaknesses. We believe that a smaller partner is a better way to deal with a partnership, because there's no competition. A small bank will not go in your territory and will not get licensing and compete with you.

Federico Vasoli
Director, dMTV Europe, Member of FinanceMalta
FinanceMalta

What are Malta's solutions in wealth management?
Watch Video

Malta offers many solutions for investors. Malta's part of the European Union, it is a member on the British Commonwealth.

So, it has adopted a mix of civil and common law. It is quite easy to do business in Malta. The tax system, the tax regime is very attractive. It is a fully transparent and white listed jurisdiction, vis-a-vis mainstream ones. So, there are no problems in setting up from a tax standpoint and setting up a structure in Malta. There are professional investment funds, that are the local, domestic investment funds. They are relatively cheap to set up and to maintain. They're extremely flexible in terms of asset classes they can invest in. Of course, being part of the European Union, you have alternative investment funds according to the MiFiD directive. Other sorts of investments could be those in residency and citizenship schemes. They are quite attractive, especially for non-European investors, high net wealth individuals. And finally, the property market. The property market is really going up. Considering Malta's growth. So, that could also be considered a particularly interesting investment to make.

What is driving Malta's growth in an otherwise slower continent?
Watch Video

Malta is a happy island that is growing by a stunning 5.6% every year, year in year GDP growth. This growth is due to a number of factors. It is due to political stability, a very large parliamentary majority for the government, safety, a beautiful climate for investors, and also actual climate. The weather is great. An influx of foreigners. There are a lot of investments from abroad, a lot of workers, a lot of people who come to work and move their families, also for private wealth reasons, but not necessarily so. Technology, Malta is the very first country in the world with a comprehensive legislation on block chains and cryptocurrencies. It has a very fast internet connection. So, public investments in infrastructures, funds, trust, many other factors, but basically logistics I forgot, tourism. A number of factors are [therefore] driving Malta's growth.

Jean-Louis Nakamura
Chief Investment Officer, Asia Pacific
Chief Executive Officer, Hong Kong
Lombard Odier

What's the future of Discretionary and Advisory Portfolio Management?
Watch Video

I think the future is to find the right balance between DPM which has to stand for a form of discipline in our clients' portfolios, and you know, the permanent needs to need to remind them that they need to stick to a discipline, and they need to remain invested out of any emotional trap that will drive them away from being longer financial assets, and the advisory which is more a way to attract them in the short run, to keep them motivated, to keep them on track with the mood of the market, but also in a way that they would not lose this discipline of DPM. So again, trying to find the right track between discipline and fun, between discipline and entitlement, without jeopardising the overall value and performance of your overall financial assets, is probably the key. It's not easy, but it is where I believe private banks need to move positively to put their client in the right balance between, again, discipline, which has to remain the strong part, and pleasure, entitlement, through advisory, through market mood and through views and the feeling that you can make easy money in a short way.

Kees Stoute
Chief Executive Officer, North Asia
EFG Private Bank

In comparison to ten years ago; What has changed in private wealth management in Hong Kong? What has not changed?
Watch Video

It's quite interesting, in my view. In a way, not much has changed. What you can sense is that there's a tremendous change process going on. So, what I mean is by not much has changed, is we still have very much, a bit too much maybe, a focus on selling products to high net worth individuals. Whereas going forward, I see that the industry's evolving into, let's say if I do share a standard direction, which means that the quality and the level of services provided to customers in general is increasing.

Accordingly, in that sense, I think there's a positive change going on at the moment. But that is a process that still takes some time.

Malik S. Sarwar
CEO
K2 Leaders

What content have you seen recently that's potentially interesting to this industry?
Watch Video

Thank you all. The last panel was really interesting because of diverse views. I'll try to, thanks to you, summarize 20 points that were mentioned, and I'm sure we missed a few that were highlights from the day. We'll put those together. Let me just start with what we heard, and this right now randomly, hot of the press. First, productivity and talent has not gone up, the cost of talent has gone up because they keep moving from bank to bank, charging more, interesting. Clients have become a lot more demanding. The quality of the RM and the field dealing with the clients has not kept up with that. Need to challenge to clients is a very interesting one. We're always talking about educating clients, absolutely. Sometimes you need to challenge their beliefs or something that they may be unrealistic about. Continuing on that, we need to make sure clients are always educated. I call it, initiative RED, Reassure, Educate, Deepen the relationship, not sell, especially in bad markets. Millennials, a vast majority, at least in the U.S., are closing their Papa and Mama accounts, and going either online, to ESG, or doing something else. Then we found why wealth managers have to rethink their revenue mix. That was a very good presentation, especially because the margins are going down from 70 bps to 60 bps, and they're likely to continue going down in Asia. D Discretionary is not a big deal here yet in terms of size, though it is growing, versus the US, and that has opportunity, but it has always been an uphill task. In terms of the cost allocation transparency, there's less of that and clients need more of that. Conversely, the problem is we have the, somebody said 90-10, at least 80-20. We keep going to the same clients for most of our business, and inadvertently ignoring, because the books are so big, the service for most of the clients deteriorates. What else do we have? Wealth preservation, I think was a family governance, very interesting. Focusing on external threats and internal threats. The toolkit for wealth structuring, I think was another very interesting one. End to end, how you actually help families. They make money by taking risk, but they need to preserve it by what they made so it passes on to the next generation and the following generation. There was a talk on private banking at crossroads and how private banking can become a lot more meaningful to clients. On the products side, we actually heard quite a lot. There was the dynamic risk management by Harold, very tempting. There were Shark [structured] notes, 100%, or 95% principal protected, that may have a place in asset allocation for clients, especially those that are sitting in deposits, scared of the markets, could be a step into getting into the investment field, but at a cost to them. China versus US, the last panel was very interesting. Gold, and I never thought jewellery as an investment. My wife got jewellery, luckily, she works, so she pays her own money. I said, "Can I add that to the net worth?" She said, "No." "Why not? The price has gone up. I did some calculation on that." She said, "Absolutely not, because when you put it in net worth, you're being cheeky and one day you'll say we'll have to sell it because you'll lose everything else." I said, "So what's wrong with that?" She said, "Before that happens, I'll choke you and I'll collect the insurance. But you're not touching my jewellery." I don't believe it is part of asset class in

the context of how its viewed. If it's different, so be it, tell me, because I'll add that, and she has a fair amount of that. Finally, ESG. That seems to resonate quite a lot. We did recognize that Europe is the leader and continues to.

The US is sort of in between, and Asia is behind the curb, but it looks like accelerated interest. Perhaps some of your enhanced products that are linked towards the millennials will actually become even more meaningful, because they like that kind of enhanced products, it seems. To pull it all together, there are three things I'd like for the delegates to take away from this conference. First, if you're leaders of people, show tough love. You don't have to be a rugby player, like Tobias.

You can be a great leader but tough love is important. Not this, "Oh, you're doing great and, you know, thank you and all that." There's too much of pussyfooting and trying to be politically correct. We need to be tough with the generation that has to work the hard way to earn it. Secondly, the banking industry has nobody. Nobody has come up with a name globally that says, "This is the Disney of financial services. This is the Ritz of financial services. This is the Amazon of financial services." When we asked a panel, all they came up with was one regional Asian bank, a few people and that's only regional. There is an opportunity for those who can actually come to the fore and succeed. The final thing I wanted to share was Yuval Harari. I think asked other people, some of you may have been in the room, how many of you know Yuval Harari? Okay, so one, two, three, four, five. He is, ladies and gentlemen, the visionary of the future, because he is original. Please read Homo Sapiens, 21 Lessons for the 21st Century. The curiosity will get you knowledge. It will challenge your assumptions, expand your horizons, and make you a better person and a better professional. He is that original, that good. I only found out about him because Barrack Obama, as president was carrying his book, and all of a sudden, people said, "Who is this guy?" He's Israeli and now working as a PhD professor of history in Oxford. This is something that I would suggest you do every day, every week, every month, with your staff who excel. I worked 17 years at Merrill Lynch. When I was a junior staffer, the CEO of Merrill Lynch gave me this. It's a silver. Its value today is $16, one ounce. I wish it were gold. I wish it were diamond, then it'd be millions. It says, "One troy ounce silver. A tradition of trust, Merrill Lynch." I keep it with me, I take it with me everywhere, because the recognition by the CEO and I meant nothing to him, meant a lot to me, and I stayed there 17 years.I didn't retire there, I stayed there 17 years. While we are doing our businesses, we need to make sure we're taking care of ourselves, our families, our friends, etc. This is a plane. My younger son gave to me because I was always on the plane. He said, "Dad, keep this with you in your briefcase, you will think of us when you're away." Between recognition of staff, which is so easy to do, and so uncommon to do, and putting on top of that your own values and family, makes life worthwhile. You're all part of the 0.1% of the world. You're all gold-getters. As you become gold-givers as well, you will be more satisfied in what you do, not necessarily financially, but in the satisfaction, and make the world a better place, where the majority are still suffering at the bottom of the pyramid. Thank you, Michael and Michelle, for hosting this, and making it worthwhile, and sharing all the ideas with you great folks. Let's make wealth management great, again and again. Thank you.

Markus Grossmann
Managing Director
Trident Trust

What are the wealth structuring challenges facing wealthy families in Asia today?
Watch Video

The key considerations that our current trust clients are looking at and have to look at is: Where they have their place of residence? Where are the beneficiaries placed in those trust? Where do distributions go? Are there tax considerations? Are family members moving into other countries? Does that need a review of those structures? And this has increasingly become a topic for almost all the families, where they either have family or assets in different jurisdictions. On the corporate side, we obviously have now a lot of discussions about offshore companies with substance requirements. We're having really good discussions with our clients now about those substances' effective place of management: Can I be a director? Should I be a director? And do I have reporting requirements? These are really on top of the list right now.

Michael Levin
Head of Asset Management, Asia Pacific
Credit Suisse Asset Management

What is interesting in the fixed income and credit universe today?
Watch Video

I'm actually quite constructive on fixed income. If you compare or contrast where we were last year, which is we had low rates, tight credit spreads, and imminent prospects of three to four Fed rate hikes, it's a very challenging fixed income market. Whereas if you contrast it where we are today, yields are attractive, spreads are little bit wider, and the Fed is a little bit more dovish. In fact, with higher yields and a flattening of the curve, there's pretty attractive opportunities at the short end of the curve in high-grade fixed income. You can get yields 4+ % on the investment grade side, and if you have blended portfolio, even on average investment grades, you can get 6+ % yields, which is quite attractive. And you can even hedge out the duration risk, because Libor is about equivalent to the 10-year yield and slightly above five year yield, so there's a lot of attractive opportunities at the short end, high credit quality at the fixed income side.
And then we still like floating rate asset classes like senior secured bank loans, so quite optimistic about fixed income. And then in the region, if you look at Asian credit, also very attractive. You get a nice yield pickup, for comparable credit quality, and you can develop a portfolio about average investment grade in excess of 7% yields, with modest durations about three and a half.

Michel van Leeuwen
Group Chief Executive Officer
Hawksford

Is the wealth management industry prepared and ready for the intergenerational transfer of wealth in Asia?
Watch Video

I think it is on its way to being ready. I think there is still quite a bit to figure out, in general. Predominately because the transplanting of the European or the US model to Asia is simply not going to work. So, understanding how wealth is used, how wealth is achieved, and how wealth is maintained are questions that still

need to be fully answered. I don't think they are yet. And therefore, transferring of said wealth is going to be, you know, a solution that is still awaiting us. As in, it's not achieved yet. However, we are far away from the starting point. I think we're getting there.

Nick Pollard
Managing Director, Asia Pacific
CFA Institute

Is there increased trust in wealth management in Hong Kong?
Watch Video

Generally, over the last few years our survey suggests that there is [increased trust], but there are pockets where it's going backwards, and sadly one of those pockets is Hong Kong. In fact, in our trust survey that we carried out late last year only 7% of people receiving financial advice in Hong Kong told us that they think their advisor always puts them first.

Patrick Donaldson
Head of Market Development, Wealth Management, Asia Pacific & Japan
Refinitiv

Connecting customer data to market data - what does this mean?
Watch Video

One of the biggest opportunities that wealth managers have is to bring relevant, actionable insights to their end investors. And they're able to do that because they've got, within their technology systems, within their databases, they've got information about their clients that nobody else has. That might be information about their aims, objectives, risk profile, investment preferences and so on. But also, some of their behaviour. What investments they like, what investments they don't like. Connecting that information to underlying market data and analytics, creates a huge opportunity with the help of technology, to deliver relevant, actionable insights to those clients through digital online channels. Not replacing the relationship manager, but really helping the relationship manager and delivering much higher levels of productivity.

Simon Godfrey
Senior Vice President, Head of Products
EFG Private Bank

How do you think the Asian equity market will perform in 2019?
Watch Video

We like Asian equity markets. The US has been a strong outperformer for the last few years. Emerging markets, of which Asian equity markets generally form a subset, we do feel have been undervalued. They certainly took a beating last year. Some of that's been led by China, a lot of the doubts about China are subsiding. We're starting to see better news coming out of China, but there's always a little bit of uncertainty generated by the trade war there, and just the huge amount of economic development. At the same time, it's election time in a number of countries, notably Indonesia and India, and we believe those tend to create positive drivers for the economy. Where you tend to see that is in areas like consumption. And that's also going to be helped by what we think, real rates are going to be able to come down in those countries. Should be good for the yield curves, it should be good for financials as well.

What are the main investment themes and the products that will be most relevant in 2019?
Watch Video

Investment themes. There's a lot to choose from in 2019. When we started the year, obviously markets have been beaten down quite a lot, there's been a trace back in some of those markets. There's still lots of opportunity. Let's look at the long-term opportunities. We like a

theme, we call it Future Leaders. It's really looking at how management influences companies over the long term. We also think it's a Goldilocks monetary environment. Generally, growth is pretty good, inflation isn't really showing itself. So, we actually think investment grade credit still has a lot of value and a lot of potential. Look at those markets which went through a beating in 2018. Let's look at the emerging markets. On the equity side, they've underperformed develop markets for many, many years. Surely, it must be time for that relationship to reverse. And if you look at the yields and emerging market bonds, especially in some of the smaller countries, you see a lot of value has been created. And we feel those yields can create positive carry for investors over the years ahead.

Tariq Dennison
Free-only Investment Advisor
GFM Asset Management

Transparency, Margins, Costs and Fees - what's changing?
Watch Video

In terms of fees and transparency, the pace of change has still been faster in the US than it has here. Here, when I ask 10 people how much they are paying on their funds, how much are they paying on their MPF, seven of them don't know, and of those, probably about seven of them also don't care. I feel I spend a lot of my time educating clients on how much they're paying on their funds and investment products, and also getting them interested to know how much of an impact that really has on their bottom line. You still see ETFs, here, are less expensive than mutual funds, but they're still far more expensive than they are in the West, and that's and area where Asia has a chance to catch up for those of us wealth managers focused on that space.

Thorsten Becker
Senior Fund Manager
J O Hambro Capital Management

How do you view the state of the economy in the US today?
Watch Video

I would say it's much more robust than people give it credit for, so we had a bit of a temporary slowdown in late December or the late fourth quarter. Now, it looks like the housing market is actually doing quite well. The unemployment numbers are excellent. Wages are growing faster than expected. Overall, I would say the business and investment climate is actually quite strong. So, if you look at shorter term numbers, first quarter GDP estimates are going up. People are also quite happy that the Federal Reserve is on pause now, and I think the risk is more that the economy's going to be too strong, rather than too weak. Perhaps I would continue to see what Powell has to say.

How has the recent US government shut down affected the US company's business planning?
Watch Video

Well, quite frankly, I think it was more of a political stunt. And the actual business planning hasn't really changed too much. It was a political thing for Trump to kind of try to get his

will regarding the border wall. Companies are happy now that the shutdown has ended. And it looks like since we have the emergency proclamation now that another shut down is not going to come. So, I don't think it's going to have lasting effects on the US economy.

What's the outlook for US Small and Mid-Cap Equities?
Watch Video

My colleagues and I are quite, quite upbeat about the small and medium size companies in the US. It has to do with that they are quite insulated from the trade dispute and potential turmoil that we're seeing outside the US. Usually, 80-90% of the revenues of these companies are coming from the domestic market. Domestic markets are seeing a lot of investments, plus there's a potential for infrastructure investments quite severely needed in the US. Also, the tax reform is proportionate benefiting the smaller companies much more than large companies. And also, they benefit much more from the reduction in red-tape we're seeing from this administration.
So, think what you want about the Trump Administration, but a lot of smaller companies are quite happy about the focus on domestic investments.

Vincent Magnenat
Chief Executive Officer of Asia Pacific
Lombard Odier

How can you transition clients to the next generation of bankers?
Watch Video

It's key to transition the clients for the next generation, but what is of more importance is not to be seen as the bank of grandpa, and making sure that we are relevant for the new generations of our clients, adapting to the environment i.e. the technology, the investment solutions that we might provide to them, and making sure that the new generation of private bankers also adapt. ■

Private Wealth Management – A Time of Dramatic Change

The first panel of the Hubbis Asian Wealth Management Forum in Hong Kong produced insightful deliberation on the current and future challenges and future roles for the private banks and other leading wealth management providers. Over the past decade, it appears that some progress has been made, but far more must be achieved, particularly in the key areas of transitioning to a more recurring and less ad hoc revenue stream, focusing more intently on putting the client first, and creating and adroitly pricing the value proposition.

These were the topics discussed:

- *In comparison to ten years ago, what has changed? What has not changed?*
- *What is being done to improve the value proposition in wealth management and to enhance the pricing model?*
- *How can you transition clients to the next generation of bankers?*
- *Are you ready for the intergenerational wealth transfer?*
- *Is the next generation willing to bank with the traditional family banker?*
- *How to segment clients and how do they want to be serviced today?*
- *How can you get the right people and proposition in front of the right clients?*
- *How has the competitive environment changed?*
- *The search for talent and building from within.*
- *What are the key attributes and what is the future for the relationship manager today and tomorrow?*
- *The sales process, operational alignment and administrative alignment*

PANEL SPEAKERS

- **Vincent Magnenat**, Chief Executive Officer of Asia Pacific, Lombard Odier
- **Dr Silvio Struebi**, Partner, Simon-Kucher & Partners
- **Anna Wong**, Professor of Practice in Finance, Hong Kong University
- **Nick Pollard**, Managing Director, Asia Pacific, CFA Institute
- **Kees Stoute**, Chief Executive Officer, North Asia,EFG Bank

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hubbis

THE KEY TAKEAWAYS

Many challenges ahead

The panel concurred that the wealth management industry is undergoing a period of great stress and must adapt to w world of increased regulation, higher costs, intensifying competition including from new entrants, technological/digital enhancement, wealth transition from the founder to younger generations and the dearth of higher quality, client-facing experts. And the markets are more volatile and the outlook less promising than for many years.

Re-thinking the model

While there have been improvements in the past decade, many of the challenges and shortfalls still persist. The private banking industry, in particular, has to rethink the model.

Deeper discussions required

To be successful in the current and anticipated environment, client-facing advisers must focus on deeper, more engaging discussions with their clients, and with their families if possible, and then tailor ideas and solutions to fit their needs, rather than simply trying to "push" product to them.

Wealth management firms need to convey value

The wealth management industry is not sufficiently proficient at creating USPs around their core offerings and therefore conveying value to their clients, or in differentiating themselves from competitors. Growth targets for banks in Asia should focus on profitability as much as growing assets.

Segmentation and behaviour

To create successful value propositions and pricing protocols, the banks should clearly segment their clientele. These wealth service providers must then understand and monitor the behaviour of their clients in each category in order to achieve a more meaningful negotiation with the clients and thereby achieve better pricing and communication.

Values and ethics

In a world of far greater regulatory correctness, ethics, compliance, behaviour, culture are all essential, as client trust is vital. But surveys indicate that the industry has far to go to achieve a strong reputation for ethical behaviour and a strong culture of prioritising the client above the provider.

Retain talent

To achieve a culture of stability and trust, it is vital to retain talent, although the demand for RMs and other professionals is so intense that this is difficult. The industry must somehow eschew the current environment in which RMs can move around rapidly and each time leverage their remuneration. In the medium to longer term, this is antithetical to the success of the industry.

THE DISCUSSION BEGAN WITH an acknowledgement that these are times of great change for the wealth management industry, as it struggles with increased regulation, higher costs, intensifying competition, including from new entrants, digitalisations, wealth transition from the founder to younger generations and the dearth of higher quality, client-facing experts. On top of all this, the markets are more volatile and the outlook less promising than at any time since the markets began to recover from the global financial crisis.

Skills must rise faster than costs

The industry's combined costs go up, but the productivity and talent do not improve," observed one expert. "The private banking industry has to rethink the model, although I do believe there have been gradual improvements in the past few years."

Another industry veteran observed that 25 years ago there was a dearth of talent and although it has improved, the same situation prevails today. I am not so pessimistic today, but I can also say that the higher levels today are countered by much higher expectations from clients and we are moving from what I would say is called the suitability standard to a more fiduciary standard, making it more demanding for the firms working in this industry. On balance I am more hopeful than not, especially as the discussions with clients today are more penetrating."

VINCENT MAGNENAT
Lombard Odier

DR SILVIO STRUEBI
Simon-Kucher & Partners

Quality shows through

The same expert highlighted some traits of excellent private bankers. "They work with the larger clients, they have a significant portion of their revenue in recurring income, and three, which is the basis for all this, they have developed deep relationships with their clients. The deeper the discussions and the closer to people's lives, the better."

Another senior banker observed that there have been almost too many changes to mention in the past two decades. "But today there are no more bankers behind big desks with cigars," he remarked. "Today, we need to engage, create the value, we need to ensure that we can prepare them for the coming years, the markets, regulation and compliance, and help them with structuring the family finances and businesses."

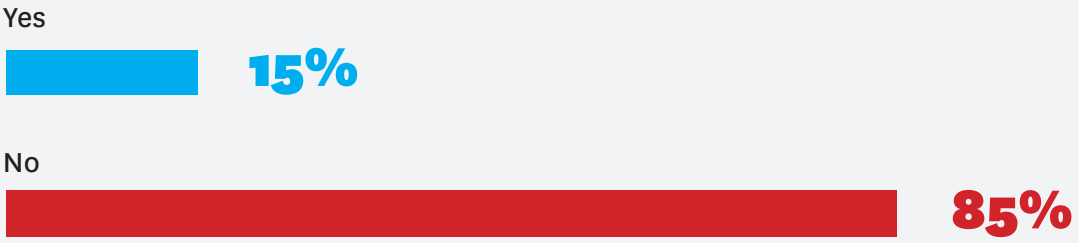
Creating and communicating value

A specialist added that superior private banking also involves superior delivery of value and to make this value tangible, banks have to create more USPs around their core offerings so that the clients really understand what they represent, what separates one bank from another, what is their uniqueness. "Everyone is rather similar as of now," he noted. "And that is true globally, as well, as the banks are simply not really that good when it comes to marketing. Moreover, the banks in Asia are often more focused on growing the book and are afraid of addressing profitability."

KEES STOUTE
EFG Bank

He added that in the future one 'magic' formula will be segmented approaches, with be with clearly defined offerings and clearly tailored pricing to serve the various needs of customers. "That is

ARE BANKS PREPARED AND READY TO TAKE ADVANTAGE OF THE INTERGENERATIONAL-TRANSFER IN WEALTH?



Source: Asian Wealth Management Forum 2019 - Hong Kong

crucial," he said. "To achieve this, we also need to consider behavioural aspects, so we are investing in behavioural economics, to help a client adviser have a more meaningful negotiation with the clients, using the right words to achieve better price and service communication. It can be applied everywhere, and in the future, more and more banks will use digital channels."

Warning: put the client first

A fellow panellist warned of the dangers of not putting the client first, something that from surveys Hong Kong appears to be poor at. "Hong Kong is bottom by a long way, with only about 7% of the respondents saying they feel that their adviser always puts their needs first. We must all work harder to change that dynamic."

"Ethics, compliance, behaviour, culture, these are the new and important topics for those entering this industry, or hoping to," came another voice. "For the industry to be a long-term success we must gain clients' trust. It is negative if your motive is solely driven by your own compensation, the clients' interest must be the focus of professional ethics."

Client-centricity can produce returns

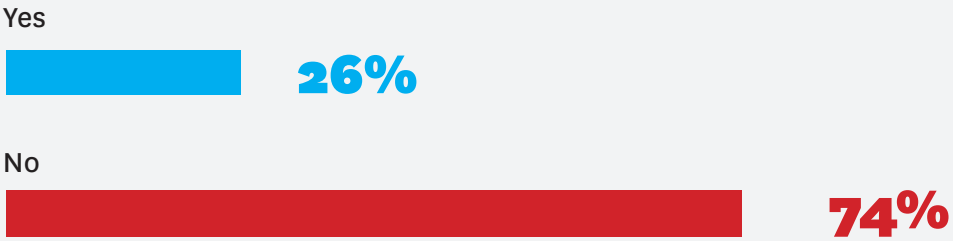
"I agree," said another expert, "and in my view, you should make money by being client-centric. The more advisers develop the relationship with the client family, the more value you add and the greater the likelihood of building a more sustainable relationship that solely the founder generation. We should get rid of the distinction between making money and being client-centric because we are in an industry that has to make money by being client-centric. Similarly, you either are ethical, or you are not ethical. And as to the figure of just 7% feeling their advisers are client-centric, that is shocking and clearly, we must change, although in my experience things are not quite that negative."

NICK POLLARD
CFA Institute

Be ethical

The Chair highlighted a poll which showed that 80% of respondents believe the industry is no more ethnical today than 10 years ago. "The first step to fixing something is self-recognition," he remarked. "We have recognised what our clients have told

ARE BANKERS MORE ETHICAL TODAY THAN THEY WERE TEN YEARS AGO?



Source: Asian Wealth Management Forum 2019 - Hong Kong

us, and the markets have told us, that we have a challenge. So, at least in recognising it means we can actually address it and do something about it."

The discussion turned to how the banks will adapt their models. "The banks are all investing in digitalisation and other technologies," an expert observed. "However, most of them have no monetisation road map, as their assessment is usually driven by cost not be value for the client. When banks move towards the digital business model, it is more towards subscription-based pricing, with a fee and then transactions, more or less free of charge. Yet based on the current models and how important these transaction fees are today, everyone will be under pressure, as I would say almost 40% of fees and also trailer fees and retrocessions will be under pressure in the future."

Another panel member commented that the bankers employed today have changed from 10 years before. "We are dealing today with offshore centres and onshore in the region, so we need talent not only in Hong Kong or Singapore but also in Thailand, the Philippines, Taiwan, China, everywhere."

ANNA WONG
Hong Kong University

"WE ARE DEALING TODAY WITH OFFSHORE CENTRES AND ONSHORE IN THE REGION, SO WE NEED TALENT NOT ONLY IN HONG KONG OR SINGAPORE BUT ALSO IN THAILAND, THE PHILIPPINES, TAIWAN, CHINA, EVERYWHERE."

Finding and retaining talent

The question was asked as to how to enhance the quality of the relationship managers, especially in a market where the RMs are moving rapidly between firms who are bidding up their remuneration packages.

"We must retain the people we attract," said one banker. "People at our firm do not switch that often, the number of people working for the company more than 10 years is significant. It is a challenge for every employer to make sure that people feel at home at your firm, this is our mandate also as management. We also need to make sure that well-qualified people are in place who can have a real dialogue with the clients, as the importance of relationships is growing significantly." ■

PANEL DISCUSSIONS

Delivering Investment Products & Advice to Clients – Time to Re-Calibrate?
What needs do wealth management firms meet for the clients when developing products? How do the clients fit into different categories, for example discretionary, advisory and transaction-driven? How much overlap should there be between these disciplines? How does digital fit in, for example, will robo-advisory result in evolution, or revolution? Are compensation structures suited to ensuring the product and idea flows are client-centric, not sales-centric? A panel of experts deliberated these and other matters in the second discussion of the Asian Wealth Management Forum.

- Panel Members
  - *Patrick Donaldson, Head of Market Development, Wealth Management, Asia Pacific & Japan, Refinitiv*
  - *Tariq Dennison, Investment Advisor, GFM Asset Management*
  - *Aman Dhingra, Managing Director, Head of Advisory - Singapore, UBP*
  - *Sebastien Chaker, Executive Director, Head of Sales & Relationship Management, UBS Fondcenter - Asia Pacific, UBS Global Asset Management*
  - *Jean-Louis Nakamura, Chief Investment Officer, Asia Pacific - Chief Executive Officer, Hong Kong, Lombard Odier*
  - *Alison Brown, Director & Head of Sales, Wholesale Business, Hong Kong and China, HSBC Global Asset Management*

Jean-Louis Nakamura
Lombard Odier

Aman Dhingra
UBP

Tariq Dennison
GFM Asset Management

Patrick Donaldson
Refinitiv

Sebastien Chaker
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Alison Brown
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Delivering Investment Products & Advice to Clients – Time to Re-Calibrate?

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These were the topics discussed:

- *Transparency, Margins, Costs and Fees - what's changing?*
- *How must we tweak the investment models?*
- *What digital expectations do clients have?*
- *As transactional revenue reduces how do you compensate?*
- *What's the future for discretionary and advisory portfolio management?*
- *Connecting customer data to market data - what does this mean?*
- *The role of technology and AI?*
- *Are FinTech's and Tech Giants threatening our business model?*

PANEL SPEAKERS

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THE KEY TAKEAWAYS

Transparency is paramount

The evolution of the wealth management model continues, but panellists concurred that the major change in recent years is the need for transparency of products, ideas and fees. Providing clients know what they are being charged and why they are being charged, they are generally receptive.

Information is the new oil

Sales advisers and client-facing professionals need more and more data to help them provide products and advice that are up to date, and they must also keep an eye on the regulatory demands.

The search for relevance

Advisers are generally overwhelmed with too much information, hence the mission is to refine more relevant information within all of the noise, to help them to uncover actionable insights, help them make the right decisions.

Bankers must be objective

The role of the private banker, opined another panellist, should be more involved in trying to protect the clients from being too emotional in their decisions and to inject more discipline in the investment vehicle and investment practice. The transactional model is not based on this credo.

Staying the course

If the emotion is dissipated in investors' decisions, then they tend to stay invested in the markets for the medium to longer term and generally returns are better. The timing of entry and exit points are extremely problematic, but adhering to strategies and discipline is more advisable. However, banks should consider balancing DPM with some more transactional activity in order to keep clients engaged.

The fee revolution is in train

Asia lags behind Switzerland and "old" Europe in that trailer fees and other opaque forms of remuneration persist in the region. However, wealth management firms must proactively prepare for the time when all trailer fees are eliminated. Transparency is again vital, as banks and others can charge upfront, advisory and/or product fees, but these should be transparent and appear to offer fair value. For example, it often takes considerable time and effort to promote funds to clients, hence there should be a proportionate model for compensation.

Robo-advisory simply another delivery methodology

The panel appeared to agree that the rollout of robo-advisory, especially to the younger digital natives, is simply another element of multichannel distribution that has been around in various forms for decades, it is therefore just another way of getting access to the market for clients, and improving the accuracy of the sales teams. The most important element is that clients end up investing, otherwise the model falls apart.

Robos need data too

Robo algorithms are only as good as the data they are fed, and in the future the sales advisers will therefore also be enhanced, or held back by these algorithms.

Private banking remains human

In the private bank world, it is the relationship that counts, so any technology to help RMs, any algorithms available, will benefit the activity and process, but not eliminate the human interaction. Robos can help the RMs make consistent decisions and be able to manage more clients more consistently.

"**WE ARE A PROVIDER TO THE DISTRIBUTORS**, so our objective is obviously to provide propositions that clients want," said one banker. "We focus on a number of factors such as pricing, valuation, yield, liquidity and other factors, depending on people's emphasis and different points of time in the markets. As to fees and pricing, we continue to evolve, but the discussions are not dissimilar to 10 or 20 years ago. What is important is that clients understand what fees they are being charged, so the transparency needs to be there. Generally, I would say if companies are providing something that provides value to a client, then clients will pay up for that."

The quest for relevance

Another expert said that what has changed is information flows to the advisers and salespeople in order for them to be accurate in their product or advice formulation. "If we look back over the last few decades, we can see very clearly that the cost of providing that advice has risen, partly due to regulations, partly due to compensation models that in place at the moment. And our research definitely suggests that the revenue generated is going down in general, while the amount of information presented to advisers and investors is growing exponentially, all of which represents a huge challenge, as seeing through to what is relevant is vital."

TARIQ DENNISON
GFM Asset Management

ALISON BROWN
HSBC Global Asset Management

Clients are generally overwhelmed with too much information, the same expert added, so the mission for clients is to refine more relevant information within all of this noise, help them to uncover actionable insights, help them make the right decisions. "Every investor has a particular set of objectives, specific to that individual or their family," he remarked. "They will have a certain risk tolerance and a time horizon, both very specific and personal to them, and being able to use information that brings certain specific relevant insights"

Controlling the emotions

The role of the private banker, opined another panellist, should be more involved in trying to protect the clients from being too emotional in their decisions and to inject more discipline in the investment vehicle and investment practice. "The transactional model is not based on this," he added, "because the transactional model is driven by the necessity for banks to sell products on a continuous basis. That is why the challenge in moving them from the transactional model to more DPM model is difficult for many banks because there is a threat of losing revenues."

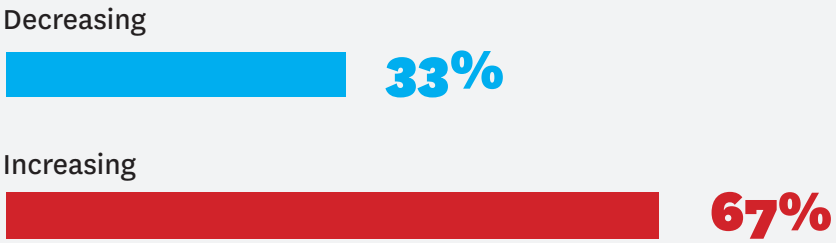
However, he advised that the banker needs to be akin to a personal coach, motivating them and keeping them on track and invested for the long term, which he believes is the best way to make money from financial markets. "So," he noted, "finding the right balance between DPM, which is disciplined and advisory, which will always remain the cherry on the cake, and the storytelling part of the investment, the emotional part which is helpful also to remain motivated and remain disciplined is a real challenge for private banks."

AMAN DHINGRA
UBP

Patience is a virtue

Another expert agreed that keeping clients focused and also patient is indeed important. "Behavioural

DO YOU THINK THE PENETRATION OF DPM IS..



Source: Asian Wealth Management Forum 2019 - Hong Kong

finance teaches us to be patient," he said, "to stay in the game, stay invested, maintain diversification, concentration, avoid over-concentration in single asset classes, understand correlations, understand unintended risks that your portfolios are carrying and so forth. There is actually a lot of basic education still required and that is what we try and drive through a disciplined investment process, through better communication, through better education."

A panellist returned to the theme of data, remarking that there has also been a huge rise in the amount of information required with an eye on regulatory matters. "It is a major risk to provide the wrong data to the client, or not provide the right data," he said, "and that is a major change from before. The regulators are auditing on a regular basis, so the risk of miss-selling is huge now and is getting more and more acute."

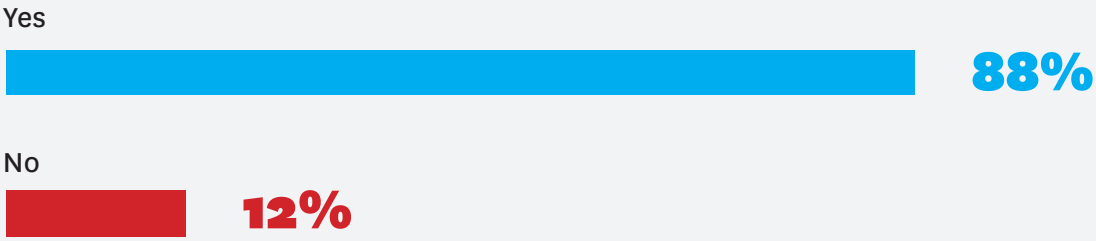
Less truck with the trailers

He also noted that whereas 10 years ago an estimated 90% of funds on a platform might have had trailer fees, in Europe today that number might be down to only one-third of the products. He indicated that in Asia, however, trailer fees remain far more prevalent, although this is changing, driven by MiFid ii. "The first step will be the elimination of front-end fees," he commented, "and I think the next step will be to go a little bit further in terms of planning or controlling trailer fees, and then banning them. That is the trend."

PATRICK DONALDSON
Refinitiv

SEBASTIEN CHAKER
UBS Global Asset Management

DO YOU CLEARLY SEE THAT THE ROLE OF AI AND TECHNOLOGY IS GETTING GREATER?



Source: Asian Wealth Management Forum 2019 - Hong Kong

"Well, we can do away with the front-end fees, and the trailer fees, then we can shut down the bank because we do not have enough revenue," interjected another banker, somewhat ironically. "The question is whether we can start charging an advisory fee to our clients and that will be a transparent model in which clients pick what they are paying for. The reality, however, is that funds are not naturally bought, there is often a lot of work to be done to show investors why they should buy a fund rather than select individual stocks, or passive investments. Therefore, given the amount of effort that goes in, there has to be a proportionate model for compensation."

Whatever the fee, make it shine

This, he says, could be in the form of the advisory fee, but so far banks can't achieve that. It could be the front-end fee, because, he remarked, that is actually very transparent and in fact, banks used to be highly opaque but today are more transparent.

"Additionally," he said, "looking at any one fund it might have numerous share classes, each one with a different theme for a different distributor, so simplification is required. However, at the end of the day, this is about banks being transparent and also getting compensated for adding value, that is what we need to drive towards."

Another panellist said that he pays more attention to ETFs than any of the other investment products because it is easy to understand, the fee is easy to see. "My goal would be to make it like an American nutritional label, where the calorie count is in nice big bold letters right on the top, because I often say fund fees are like calories, you don't want them to be zero but you want to know that for every calorie you consume you get some real taste value. Discretionary should be this way. People take discretionary because they want to hire a chef, they don't want to take cooking lessons and they don't have time to cook themselves."

Robo an evolution, not a revolution

Turning to the topic of robo-advisory, which one expert said was targeted at the millennial's demographic, another panellist commented that this protocol was likely to expand, especially robo advisory plus. "Robo is actually just another element of multichannel distribution that has been around in various forms for a long time, it is actually just another way of getting access to the market. The most important is whether people invest, because if they do not, they won't achieve their objectives. So, robo, robo plus, advice, advice plus, all these have benefits, but the clients must execute."

JEAN-LOUIS NAKAMURA
Lombard Odier

"ROBO IS ACTUALLY JUST ANOTHER ELEMENT OF MULTICHANNEL DISTRIBUTION THAT HAS BEEN AROUND IN VARIOUS FORMS FOR A LONG TIME, IT IS ACTUALLY JUST ANOTHER WAY OF GETTING ACCESS TO THE MARKET. THE MOST IMPORTANT IS WHETHER PEOPLE INVEST, BECAUSE IF THEY DO NOT, THEY WON'T ACHIEVE THEIR OBJECTIVES. SO, ROBO, ROBO PLUS, ADVICE, ADVICE PLUS, ALL THESE HAVE BENEFITS, BUT THE CLIENTS MUST EXECUTE."

Another expert commented that there is a danger over-generalising on what is meant by robo-advice. "I think there is also the danger of getting caught up in the marketing hype around the level of success of robo-advisory businesses particularly

in Asia, but what I can say is that to function properly robos need information in order to produce the right output, the right advice. They need access to information, analytics and the technology to help make the most of that data. I also think the business-to-consumer robo market is highly very questionable, but passive managers using technology to help improve the efficiencies of their investment management process, that is definitely accelerating."

A panellist referred back to the need for clients to invest, remarking that if robo-advisory helps achieve that because of efficiency and low cost then that is an advantage. "However, in the private bank world, it is the relationship that counts, so any technology to help RMs, any algorithms available, will benefit the activity and process. These can help the RMs make consistent decisions and be able to manage more clients more consistently."

He added that research that had been conducted showed that RMs today spend 90% of their time focused on 10% of their clients. "The idea is to bring technology to identify which clients should be focused on and how to improve the relationships, where the risk profile can be improved, what proposals can be made." ■

PANEL DISCUSSIONS

Wealth Management Leaders Survey Opportunities in the Global Markets

An eminent group of product gatekeepers gathered at the third panel discussion of the day at the Hubbis Asian Wealth Management Forum. Their mission was to consider how, after a year of considerable angst and volatility, wealth managers should position their clients to make money, but with resilient portfolios. They cast their discerning eyes over the mainstream global and Asian financial markets, they considered passive and active strategies, as well as reviewing opportunities in alternative assets ranging from private equity to gold and property. And they debated the rise of ESG and SRI principles, which are rapidly permeating more and more investment decisions.

- Panel Members
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  - *Arjan de Boer, Deputy Chief Executive, Head of MIS, Asia Market, Investments & Structuring, Indosuez Wealth Management*
  - *Angel Wu, Managing Director, Head of Product Management Group, Bank of Singapore*
  - *Simon Godfrey, Senior Vice President, Head of Products, EFG Private Bank*
  - *Matthew Chan, Senior Consultant, Mercer*
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These were the topics discussed:

- *What are the main investment themes and the products that will be most relevant in 2019?*
- *How has the investment environment changed in Asia from 2017 to 2019?*
- *How will you generate income in 2019?*
- *Understanding and managing risk after the volatility of 2018.*
- *How do you think the Asian equity market will perform in 2019?*
- *Do the fixed income and the credit markets have appeal today?*
- *Which way for the global equity markets?*
- *Is there an increasing interest in ESG?*
- *What is the outlook for emerging markets?*
- *Is Asia warming to index and ETF products?*
- *What levels of interest are there amongst private clients today in alternatives, private equity, hedge funds, infrastructure, or property?*

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THE KEY TAKEAWAYS

ESG and SRI rise to the top

Interestingly, the discussion began with the panel focusing on the remarkable rise to prominence of ESG and SRI investment principles, which increasingly inform many investment decisions in the mainstream and also alternative asset markets. One expert agreed that Asia has lagged behind in its adoption but reported that each year his bank holds a large Asia summit and whereas three years only one-third of participants said ESG was a key factor in decisions, this year's summit showed more than two-thirds adopting ESG.

Does ESG translate to outperformance?

As Asia grasps the nettle of ESG and as Asian governments, businesses and even pension funds gradually consider and adopt these principles, there is evidence from the global markets that investments with higher ESG ratings outperform. For ESG to become truly sustainable amongst Asian investors, this theory must prove itself.

Educated millennials embracing ESG

As more and more sons and daughters of wealthy Asians returns from overseas armed with high education and a close appreciation of the latest political and environment and geopolitical issues, there is a strong belief that they will drive the next phase of ESG adoption.

Opportunities open up

The volatility and other events of 2018 have opened value opportunities in investment grade credit and emerging market debt. The very strong economic conditions in Southeast Asia and in India open equity market opportunities.

Greater caution today

Nevertheless, the experience of 2018 has reminded investors of the need for prudence, especially as people comprehend that higher rates will constrain equity valuations and in cases negatively impact fixed income. But there are excellent openings, for example short-term investment grade debt today pays an attractive yield and a more dovish Fed gives a greater likelihood of fully realising that potential return.

China's equity valuations beckon

The negative sentiment towards onshore China has created valuations at just 11 to 12 times earnings for double-digit earnings growth, only three to four times dividend yield. What, asked one expert, is not to like about that with a longer-term perspective?

Hedge funds back in favour

A banker from a global name bank reported that net sales of hedge funds to the Asia client base had quadrupled over the last 18 months. The mission is to invest in markets through long-short and other hedge fund strategies that give market participation but without taking full volatility, without taking full downside risk.

Macro managers struggle for ideas

Macro managers have found it difficult to identify and sustain trends across asset classes. Trading-focused strategies have risen in prominence, compared with directional buy and hold approach. More dynamic management of portfolio risk is necessary.

Private equity rises, but...

Private equity investment allocation is on the increase, although there is so much money chasing deals across the globe that it is difficult to find the right opportunities.

Illiquidity premium turns to discount

There is a real danger that with so much global and now Asian money chasing private equity, the illiquidity premium that prevailed for such investments is now turning into an illiquidity discount. Caution is advised.

THE DISCUSSION BEGAN WITH IMPACT INVESTING and ESG, with the Chair noting while perhaps Asia lags Europe and the US in its adoption, there is rising interest and especially amongst the millennials.

"For several years already, we have included ESG ratings in our client statements for both individual securities, as well as at portfolio level," reported a senior banker. "And we have a big Asia summit each year where ESG often features prominently. Three years ago, during a summit, we asked the clients whether or not ESG credentials play any role in their investment decisions, and about one-third of the clients said yes. Two weeks ago, the same question was met with a two-thirds 'yes' response. The mindset, as you can see, is really changing, even in Asia."

Asia embracing ESG

He added that, for example, the Chinese regulators had now asked listed companies to start reporting on ESG. "Clients are nowadays afraid to miss out on securities with high ESG ratings, whereas before they were less focused," he remarked. "If you look at the European and the US equity markets, you can see that since 2014 high ESG securities outperformed the lower rated ones."

The representative of another global bank agreed that he is seeing a similar pattern. "A few years ago, everyone had to have an ESG policy in order to qualify for, let's say, pension RPs, with ESG factors for example determining

MATTHEW CHAN
Mercer

SIMON GODFREY
EFG Bank

whether that fund could invest in such as a coal mine. Nowadays, however, ESG is driving more investment decisions because of the economic realities both on the liability side of the environmental, as well as the importance and value in driving the social and governance sides and investors are leading this."

He acknowledged the impetus had come from Europe and that the US has followed, but even in Asia yield leading organisations like the Singapore government investment fund have started to include climate change indices in some of their benchmarks.

"I think probably the only way that the trend towards ESG is sustainable is when people believe that it translates into enhanced returns, and I think this is happening, with ESG investing translating into better outcomes for clients."

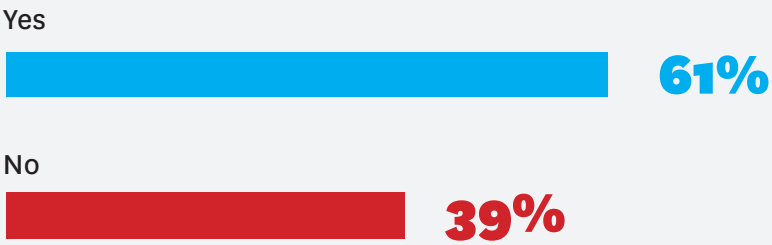
More ESG opportunities

Another perspective came from a banker who noted that much of the impetus in Europe is from the government levels, while in Asia this is not likely to follow through in the foreseeable future. However, he said that there is powerful momentum in practical manifestations, for example the Hong Kong green bond market is performing well, there is a strong impetus to food standards and security, and there are more and more initiatives taking place, and required in the future, as well as more educated Asians returning from overseas and focusing on these huge issues.

The discussion shifted to market conditions and the outlook. "We are at a pivotal point in market cycles at the moment," a senior private banker observed. "There is volatility, and uncertainty, so we need to either be cautious or reverse these trends. But there are opportunities, for example yields on debt have risen sharply and there is real value now in places like investment grade credit, and emerging market debt. On the equity side we certainly see

ANGEL WU
Bank of Singapore

ARE YOUR CLIENTS MUCH MORE INTERESTED IN ESG TODAY?



Source: Asian Wealth Management Forum 2019 - Hong Kong

some very interesting opportunities in this part of the world, for example we are seeing very strong economic conditions in Southeast Asia and in India for example."

Opportunities open up

Another view came from a senior panellist who argued that there is greater prudence and sensibility now, rather than the 'cognitive dissonance' [mental discomfort due to the holding of two or more contradictory beliefs] of early 2018 when we had low rates and tight credit spreads, alongside elevated equity market valuations, and when we had readily adopted the thesis that declining interest rates would drive asset prices higher and support both equity and fixed income. It then took time for people to accept the core, which is the rising rates will constrain equity valuations and negatively impact fixed income."

He continued, theorising that there are currently interesting and active relatively easy investment opportunities. "Although not without volatility risk, rising rates and a flattening of the curve presents a gift as the short end of the curve offers investment grade yields of 4% to 5% yield, and even 5% to 6% blended average investment grade portfolio with a two- to three-year duration. In short, all of a sudden short-term investment grade pays a reasonable yield and a more dovish Fed versus hawkish at the beginning of the last year gives greater likelihood of fully realising that potential return."

Debt offers returns, selectively

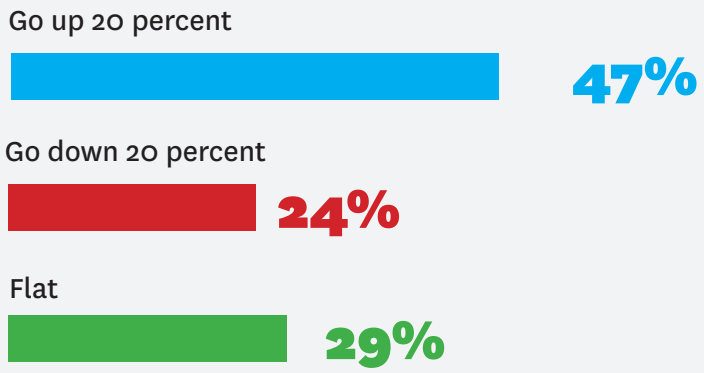
He also added that in Asia investors can pick up floating rate bank loans at 50 to 75 basis points in investment grade and 100 to 200 basis points in non-investment grade; they can build a portfolio of Asian fixed income on 7% to 8% returns, in US dollars at the 3-1/2 year duration. "In short," he reported, "there are some real gifts on the table."

"IN SHORT," HE REPORTED, "THERE ARE SOME REAL GIFTS ON THE TABLE."

He moved on to the equity market to observe that the safe and seemingly comfortable areas such as developed market equities are stretched, so advised caution there, but China, he said, seems to be another gift. "The negative sentiment towards onshore China has created valuations at just 11 to 12 times earnings for double digit earnings growth, just three to four times dividend yield, so what is not to like about that with a longer-term perspective?"

Another expert agreed that fixed income was appealing, and said their clients are very keen on high yield. "We see a lot of interest in something called the unconstrained bond fund, with investors not

WHAT WILL ASIAN EQUITY MARKETS DO IN 2019?



Source: Asian Wealth Management Forum 2019 - Hong Kong

caring so much whether they are in long duration, short duration or where the market is, as long as it generates yield in an all-weather environment."

China's low valuations

This same panellist turned to equities, agreeing that China remains a very long-term theme. "Our Asian investors like to focus more on Asia, in particular China, and like to accumulate even in down markets. And as to ESG, we are seeing more family offices in the region enquiring about this, so it is a trend developing here."

Hedging your bets

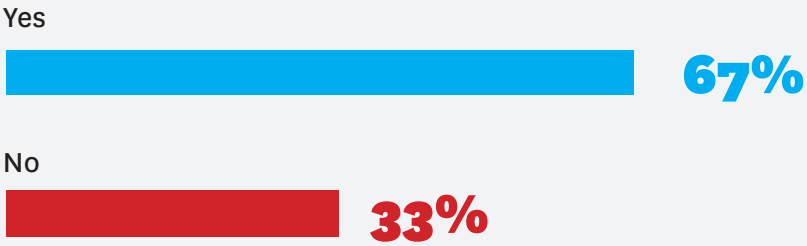
Another perspective came from a big-name private bank who reported that net sales of hedge funds to the Asia client base had quadrupled over the last 18 months. "This is typical offshore, Cayman, hedge fund structures, as well as a small flow in some liquid alternatives like UCITs."

He explained that the bank talk about these ideas to clients starting with the overall top-down view. "We think we are at the late stage of the equity and credit cycle," he commented, "and so do most of our clients, who are sitting on too much cash because they are concerned about where we are in the cycle. Accordingly, if we talk about ideas where the downside risk is less, that gives them more comfort to deploy capital and invest into markets through long-short strategies and other hedge fund strategies that give market participation but without taking full volatility, without taking full downside risk."

THOR MONSEN
Citi Private Bank

ARJAN DE BOER
Indosuez Wealth Management

WILL YOUR CLIENTS BUY MORE ETFS IN 2019?



Source: Asian Wealth Management Forum 2019 - Hong Kong

Macro stories struggle

Meanwhile, he noted also that the macro managers have found it difficult to identify and sustain trends across asset classes, so following macro has resulted in underperformance. "I think what we're talking about here is more trading-focused strategies, not the directional buy and hold approach, something a little bit more dynamic, actively managing the overall risk of your portfolio and that should enable you to navigate more volatile markets better than traditional investments."

He added that his bank's presentation on ESG is investing with purpose. "It is a big deal for us," he stated, "because one of the core themes for 2019 is ESG as we are seeing our clients asking for it. And we do a lot of work with our next generation client who are very aware of how the family wealth is invested and they are very receptive to these ideas around ESG."

If looking for trends, here is ESG again

Another expert concurred with this view, adding that there are a lot of papers and discussions showing that doing SRI or ESG, if properly managed, can deliver excess alpha to clients. "And governance is a major issue when funds and pension funds assess whether the company is worth buying or not." Nevertheless, he would like to see more interest shown in mainstream markets such as Hong Kong, which lags even markets such as Taiwan, where pension funds are grasping the concept.

"It will become as a mainstream in Asia as it is in Europe and US as well," came another voice. "On January 29 in the US, 18 large institutional investors representing USD6.5 trillion in investment asked the six largest fast food chains in the US what they are going to do about reducing the impact of their supply chain. It was an open letter so these six companies have no choice but to come up with specific plans to address these issues, if not, investors might pull back."

Private equity appeals, but deals elusive

The discussion turned to key investment ideas that had not yet been covered. Private equity was the first to pop up, with a banker reporting that the activity had migrated from Europe to the point that at least half of its core investments are now in Asia. "Our challenge at the moment is client advertising is growing so fast that it is very difficult to match this with actual investments to match the kind of the goals we set." Another expert agreed, adding that an estimated USD0.5 trillion of money raised globally for private equity remains uninvested.

MICHAEL LEVIN
Credit Suisse Asset Management

"OUR CHALLENGE AT THE MOMENT IS CLIENT ADVERTISING IS GROWING SO FAST THAT IT IS VERY DIFFICULT TO MATCH THIS WITH ACTUAL INVESTMENTS TO MATCH THE KIND OF THE GOALS WE SET."

Another expert agreed, noting that private equity had been a core offering at their bank for more than six years. "The commonality of the deals is that they are very specific, for example, real estate in Asia, such as hotels or perhaps logistics projects, or it could be a strategy that buys minority stakes in other private equity companies. Demand remains very high for private equity, but at the same time we are mindful about being very late stage in this asset cycle, so we avoid high leverage, which is something people are getting a little bit too carried away at this stage of the cycle. We think we must be very careful about what we are choosing now."

Watch out for a paradigm shift

"Yes," said another panellist, "tread with caution, as the illiquidity premium that we have lived with for so many decades is now turning into an

illiquidity discount because of the demand from investors. Increased volatility [in the mainstream markets] is translating to people preferring assets without mark to market volatility, so I want to highlight the risk there particularly in private credit where you have $2 trillion raised, often promising very significant yields, double digit net IRRs and there is simply a lack of availability. So, be very cautious, and I should add it is about manager selection as well."

Tactical ideas

A final few comments adding that there is also interest in multi-asset and gold. On gold he observed that it was a tactical holding, because the dollar is quite strong at the moment, and gold also offers a tail risk hedge. Another expert reported that his personal portfolio construction was half cash and half ETFs, the latter diversified equities from APAC, the US, and Europe.

And the final word went to a private banker who highlighted distressed situations in emerging markets. "We will see more of these opportunities going forward rather than fewer, and if you can identify the right manager to pick the right bonds that are trading at $0.75 on the dollar or cheaper, with solid due diligence, the returns can be pretty spectacular. But he also added that clients who invest in this sector must be ultra-HNW type clients, some with an average wealth of USD250 million or more. ■

CITRINE
ESTATES

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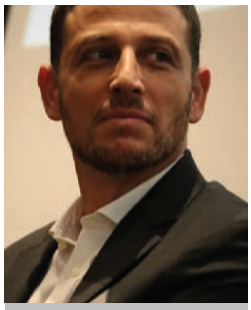
PANEL DISCUSSIONS

Investment Ideas and Solutions – Leaders Discuss Markets & Strategies

The discussion began with a focus on risk management, with an expert remarking that he has been spreading the word on risk management developments that have been taking place in recent decades and how the Asian market is adopting the latest techniques. He noted that the past two years in Asia had provided a textbook case for risk management, with 2017 beginning as if it would be risky, but risk turned out at historical lows, while 2018 began with an early flourish and then went straight down for the rest of the year.

- Panel Members
  - *Thorsten Becker , Senior Fund Manager, J O Hambro Capital Management*
  - *Tobias Bland, Chief Executive Officer, Enhanced Investment Products*
  - *Harold Kim, Founder and Chief Executive Officer, Neo Risk Investment Advisors*
  - *Sally Ryder, Founder & CEO, Ryder Diamonds*
  - *Joshua Rotbart, Managing Partner, J. Rotbart & Co.*
  - *Steven Cohen, Chief Investment Officer, CBM Investment Management*



Joshua Rotbart
J. Rotbart & Co.

Tobias Bland
Enhanced Investment Products

Harold Kim
Neo Risk Investment Advisors

Thorsten Becker
J O Hambro Capital Management

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Investment Ideas and Solutions – Leaders Discuss Markets & Strategies

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These were the topics discussed:

- *How deeply have events in the US, such as the government shut-down, the trade wars and geopolitical factors affected companies and markets?*
- *The outlook for US Small and Mid-Cap Equities.*
- *The outlook for global equities.*
- *How will global monetary policy affect the markets this year?*
- *Is gold rising or falling in portfolio formation? Paper gold, or physical?*
- *The search for yield.*
- *New money-market and other funds in Hong Kong.*
- *What is the demand for ETFs and other passive funds in Asia?*
- *Will Asian equities perform in 2019?*
- *Risk management to improve investment performance and downsize the downside.*
- *Are diamonds an asset class, should they be in wealth portfolios?*

PANEL SPEAKERS

- **Sally Ryder**, Managing Director, Ryder Diamonds
- **Thorsten Becker**, Senior Fund Manager, J O Hambro Capital Management
- **Harold Kim**, CEO, Neo Risk Investment Advisors
- **Tobias Bland**, CEO, EIP
- **Steven Cohen**, Chief Investment Officer, CBM Investment Management
- **Joshua Rotbart**, Managing Partner, J. Rotbart & Co.

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THE KEY TAKEAWAYS

Risk management requires systems and actions

The past two years in Asia have provided a textbook case for risk management, with 2017 beginning as if it would be risky, but risk turned out at historical lows, while 2018 began with an early flourish and then went straight down for the rest of the year. Nobody can predict risk changes exactly, but the important element is to asses it systematically and adjust portfolio exposures accordingly. No action is not an option.

Diamonds - be selective

Diamonds are not a commodity as they cannot be standardised into a weight or other category and therefore there can be no price index. Selectively, coloured diamonds have performed remarkably well in the past five years, while white diamonds have seen a glut driven by India's massive investment in cutting and polishing facility in the past 10 years.

Gold - a store of value and a safe haven

Gold should be a core holding in any HNWI family portfolio. It is a long-term store of value, it has performed at least as well as equities since it was delinked from the US dollar in 1976 and it is a non-correlated asset that in physical form can be stored outside the global financial system. It is a hedge against dollar weakness and inflation, and it remains both a scarce asset and is highly liquid in all formats. If economies are up, people buy gold for jewellery, if things are weak, it acts as a hedge.

US economy appears solid

The US economy is strong, the regulatory burdens are diminished - lower corporate taxes at 21% since January 2018 and other regulatory adjustments - and the investment climate is therefore a lot better. The smaller and medium-sized companies, the lifeblood of the economy, are therefore enjoying a considerably more business-friendly environment. Tweets and politics aside, it would appear that the US markets are alive and well under Trump.

Fiscal matters appear conducive

The US fiscal situation is still positive, the monetary situation is still accommodative, even though we have higher rates now they are still low in a historical context and with a supportive regulatory environment, this all appears good for risk assets. However, be wary of inflation lurking and for the Fed to reverse its position again and tighten. Avoid leveraged companies.

"**HOW THEN," HE ASKED, RHETORICALLY**, "do you recognise that the environment has changed, and then how do you respond, systematically to reduce the risk? And that is exactly what we are trying to do, we are trying to be systematic. There are many different approaches to this, but the key message is that any kind of risk management is better than no risk management. If you do nothing, that's not risk management."

He then elucidated by noting that the market collectively is rather smart and therefore what his firm does is build statistical models that look at past behaviour to try and link that to what is happening today. "I am always the first to admit, we don't catch the first big downdraft, but it is vital to have in place a process to react when changes in risk happen, and if you react appropriately, you will outperform the markets."

He added that having been in the markets for more than 30 years, he never remembers waking up with absolutely no worries. He said there are always events, always surprises and one can never accurately product the future, but one must make sure to react to events and market vacillations.

Cautiously optimistic, for now

"I am not in the business of predicting return," he added, "but, we think equity markets are going to be okay this year, in particular Asian equity markets because current accounts look good,

THORSTEN BECKER
J O Hambro Capital Management

TOBIAS BLAND
EIP

growth is still higher than other regions in the world, and valuations are fair. We are therefore fairly cautiously optimistic about Asian equities, but other equity markets globally are at different parts of the cycle, with the US being ahead, so that is where we think the risk will show up first, when earnings start to decline. However, for now, we think it is okay now that the macro situation has settled at a different level."

The discussion then migrated to diamonds. "Not many people know much about diamonds," this expert commented. "Trust and integrity are therefore vital."

She explained that diamonds are not a commodity, because there is no standardised quantity and therefore as a result there can be no price index. "Even when a diamond is graded with the colour and clarity and cut, polish and symmetry there are still bandings of price," she remarked, "and what influences the price of diamonds in the market is supply and demand. If there are indexes they don't truly tell the actual wholesale or retail value of the diamond."

Choose your stones carefully

She reported that over the past year diamond prices have been fairly steady, although over the past five years they had depreciated at least 30%. "There has been a flood of diamonds into the market, beginning for example in 2009 when there was a large investment for the Indian diamond manufacturers, supported by the Indian government, including huge diamond polishing factories, but the result was a glut."

She explained that she was referring there only to white diamonds, but that certain classes of diamonds had in fact appreciated some 40% year over year in the last five years, particularly blue diamonds. "In general, I believe market conditions will improve and we will see increasing prices in general in the coming years."

Gold – multi-faceted merits

The panel turned their attention to gold, with an expert advising on the merits of gold as an investment. Price levels are currently reasonable for entry currently and we know that over time gold outperforms most other assets and is therefore a core holding in many HNWI family portfolios. He also noted that gold within an investment portfolio has a direct relationship to reducing the volatility of the portfolio, as a non-correlated asset.

SALLY RYDER
Ryder Diamonds

"IN GENERAL, I BELIEVE MARKET CONDITIONS WILL IMPROVE AND WE WILL SEE INCREASING PRICES IN GENERAL IN THE COMING YEARS."

"People buy gold as a hedge, it is very liquid market and it is scarce," he added. "When the economy is good, people buy gold in the form of jewellery and when the economy is bad people buy it as an investment as a hedge to protect themselves against inflation. These are the major incentives to buy gold."

As to the price, he said he is wary of forecasts, but that looking back in history, since gold was separated from the US dollar [in 1976] it has performed roughly in line with equities at around

10% per annum and has done much better than commodities, bonds or cash over the medium to long term. "Having said that, in the current environment globally, we anticipate gold staying around the current USD1350 level, but on the medium to long term we are still very bullish."

Another expert added that gold is outside the global financial system, further enhancing its value as a safe-haven asset.

The discussion moved to product opportunities, with an expert highlighting a Chinese convertible bond fund. "There is a pipeline of around USD300 billion similar paper coming in the next two years," he reported, "and it coincides with the opening up of the China's capital market, which is where we see an opportunity to achieve alpha."

As an aside, the same panellist remarked that opaque fees such as trailer fees or retrocessions persist in Hong Kong. "You can see a much greater appreciation of assets in Australia, for instance, since they changed that rule over there, and personal wealth has increased much quicker because there are lower fees for the banks. I am surprised the Hong Kong regulators do not simply ban these fees."

"YOU CAN SEE A MUCH GREATER APPRECIATION OF ASSETS IN AUSTRALIA, FOR INSTANCE, SINCE THEY CHANGED THAT RULE OVER THERE, AND PERSONAL WEALTH HAS INCREASED MUCH QUICKER BECAUSE THERE ARE LOWER FEES FOR THE BANKS. I AM SURPRISED THE HONG KONG REGULATORS DO NOT SIMPLY BAN THESE FEES."

STEVEN COHEN
CBM Investment Management

HAROLD KIM
Neo Risk Investment Advisors

US economy and markets: good for now

An expert assessed the current state of the US economy, maintaining that investors should ignore the tweets and recognise that the economy is strong, the regulatory burdens are diminished, and the investment climate is therefore a lot better. "Specifically, when I talk to smaller and medium-sized companies, they say it is just a much more business-friendly environment."

He added that the government shutdown had not noticeably impacted the underlying business climate, which remains quite positive.

The same expert highlighted the appeals of the smaller and medium-sized companies, noting that 80% or more of the revenues of most of these companies are domestically sourced. Tax reform has also helped them, as well as the regulatory burdens being lifted. "The multinational companies generally have all kinds of optimisation structures and loopholes that allow them to pay much lower effective tax rate, but for these smaller companies

the actual rate coming down to 21% [from January 2018] is a huge benefit."

Turning to politics, he remarked that Trump's presidency had not resulted in the chaos detractors had said would materialise. "The US is a very mature democracy," he noted, "with many checks and balances and voters, the US markets can live with whatever election results emerge."

Another expert added: "The US fiscal situation is still positive, the monetary situation is still accommodative, even though we have higher rates now they are still low in a historical context. The regulatory environment is very supportive of equities. This should be a good environment for risk assets. However, we are facing potential increases of inflation which means the current monetary policy is probably just a pause and further tightening will eventually resume, probably this year. Domestic US equities like many of the smaller companies in the US are better positioned, but avoid leveraged companies, which could be troubled if the rate cycle resumes." ■

JOSHUA ROTBART
J. Rotbart & Co.

PRESENTATIONS & WORKSHOPS

Globalization 4.0 - World is on the move
Jennifer Lai, Managing Partner and Head of North Asia of the migration consultancy Henley & Partners gave a presentation in which she updated the audience on global migration trends, the ongoing globalisation of high-net-worth clients, and where she reviewed what Henley sees at the pick of the overseas residence and citizenship programmes that are currently on offer.
View slides

Cyprus Revitalized: How Asia's HNWIs can Capitalize on the Island's Reforms
Yiannos Trisokkas, Managing Partner of Casamont Cyprus, gave a presentation at the Hubbis Asian Wealth Management Forum to highlights the attractions of the Cyprus Investment Programme for Asia's HNWIs. He focused on the benefits of citizenship and tax residence in Cyprus, which is part of the European Union when structuring wealth, as well as highlighting some of the attractive Cyprus investment and real estate opportunities.
View slides

Revenues at Risk – Why wealth managers have to rethink their revenue mix
Dr Silvio Struebi, Partner at Simon-Kucher & Partners, made a fascinating presentation to advise the audience that wealth management businesses in Asia should take an in-depth and impassionate look at their revenues to decide where their futures lie. The big picture missions are to tailor pricing to the client segments and their real activity, while also striving to enhance recurring revenue streams.
View slides

Hawksford in Asia: Expanding Relationships and Broadening its Offerings
Marcus Hinkley, formerly a 20-year career lawyer, was appointed head of private client services for Asia at the Jersey-headquartered international private client, corporate and fund services group Hawksford in the second half of 2018. He was attracted to the firm, as he believes that the growing complexities facing the region's wealthy present Hawksford with an outstanding opportunity to more comprehensively service the region's high-net-worth (HNW) clients.
View slides

The Attractions of Hong Kong Private Trust Companies for Family Wealth Preservation
Christiaan de Bruyn, Director of Trust Services at Hong Kong-based Trident Trust believes Hong Kong incorporated Private Trust Companies (PTCs) should be carefully considered as a great tool to hold and administer the assets of wealthy families. He knows that in the world of regulation and compliance we now all live in, PTCs are ideal, professionally structured, transparently managed vehicles for holding wealth, for avoiding family conflicts, and for resolving their succession needs. For optimised family governance, he told the audience that the PTC is, therefore, an excellent option.
View slides




Why Malta's Fast Growth, Diversifying and Welcoming Economy Resonates in Asia
Who would like to visit Malta? Who would want to be resident there, or have Maltese citizenship? Most people would be the answer to the first question, for those who are aware of its charms and beauty as a holiday. And many high-net-worth families is the answer to the second question. Malta is a small economy in the Mediterranean, but it is in the European Union, and has an increasingly diverse economic base, as well as a wonderful lifestyle. Federico Vasoli, Director of dMTV Europe, and Member of FinanceMalta, gave a presentation to highlight its many appeals for Asia's wealthy individuals and families, as well as the wealth management community at large.
View slides

Transformational Wealth Management: Anticipating and Fulfilling Client Life Goals
Agnes Shea, Co-Head of Private Banking Sales Asia for Leonteq Securities is adept at working with the wealth management community in the region to tailor structured investment products for the client portfolios. She gave a presentation to explain why she believes that Leonteq can offer some smart capital protected structured products for Asia's HNW community, especially during volatile market conditions.
View slides

Private Banking: Regional Alliances and Partnerships - a New Point of View
Evrard Bordier, Singapore CEO and Managing Partner of the family-controlled Swiss private bank Bordier & Cie, has a deep understanding of the foundations of what makes a genuine private bank, and also a keen appreciation of the strategic positioning the institution will need to survive and build for the future. He told the audience at the Hubbis Asian Wealth Management Forum why Bordier & Cie has developed a partnership model for expansion in the Asia region, and the advantages it offers.
View slides

The HNW Insurance Market has Changed – How Do You Win?
David Varley, Chief High Net Worth Officer at Sun Life Hong Kong, Sun Life Financial, told the audience what has been happening in the HNW insurance market, and explained how, in his view, brokers, bankers and external asset managers can adapt their strategies to take advantages of the many opportunities. He also highlighted the key trends in the HNW market, and explained why more bankers and financial advisers should be interested in HNW insurance.

Hubbis Head of Learning: To Win, Emphasise Your Human Advantages
David MacDonald, Head of Learning Solutions at Hubbis gave a talk at the Asian Wealth Management Forum to warn delegates of the dangers of not honing their human skills to align with and complement artificial intelligence and machine learning. Those who recognise this need can provide their clients with excellent advice and outcomes. Those who do not heed this advice might risk obsolescence.
View slides


Managing Risk in Asian Equity Marketss
Harold Kim, CEO of Neo Risk Investment Advisors, presented a Workshop to share his insights on the recent performance of Asian markets and ways in which active risk management and diversified alpha exposure can improve performance. His detailed presentation not only informed but also profoundly engaged, an audience eager to learn more about the theory and application of risk and dynamic risk management.

Global Residence and Citizenship Options Tailored for Asia's HNWIs and Families
Jonathan Tang, Sales Director in Hong Kong at investor migration consultancy Henley & Partners and colleague Qishi Fu, Senior Manager, presented a detailed and insightful Workshop to highlight some alternative overseas residence and citizenship options of appeal to Asian high-net-worth individuals (HNWIs) and their families.
There is a great and growing demand for Henley's residency and citizenship services in countries in this region, the audience heard, and the firm works closely with wealth management firms such as those assembled at the Forum to introduce their HNWI clients, with appropriate, transparent fee sharing packages to remunerate those partners appropriately. Henley has a history of more than 20 years and over 300 staff across the world in 29 offices, working with certain governments around the world to structure and promote their residence and citizenship programmes, and of course with HNWIs and their families.
View slides

ESG Investing and Climate Risk – Risks, Opportunities and Concerns
Entela Benz-Saliasi, Adjunct Associate Professor in the Department of Finance at Hong Kong University of Science and Technology, has a deep knowledge of the drivers and the outlook for investment driven by ESG criteria and ratings. She addressed the audience to explain the latest state-of-this-art globally, and its integration in Asia, as well as explaining how ESG links to impact investing.

Impacting and Delighting Clients with Transformational Wealth Management
Malik Sarwar, CEO of wealth management firm KS2 Leaders USA and also Chairman of Hubbis, has forthright views on the state of the wealth management industry and what its stakeholders need to do to take it to the next level of growth and success. He reviewed his five habits of successful advisers, and provided a fascinating, energetic, audience-participative Workshop to communicate his concept of what makes a well-rounded professional in a successful advisory firm.

Globalisation 4.0 – The World is on the Move

Jennifer Lai, Managing Partner and Head of North Asia of the migration consultancy Henley & Partners discusses global migration trends, the ongoing globalisation of high-net-worth clients, and what the company sees as the pick of the overseas residence and citizenship programmes that are currently on offer.

LAI NOTES THAT THERE ARE AN ESTIMATED 18.2 million high net worth individuals (HNWIs) on the planet (defined as those with assets of over USD1 million).

"Wealthy individuals actually tend to have knowledge, capacity, skills, and can increase an economy's overall standard of living," she reported. "In the past 20 years, we have seen far more activity in offshore residency and citizenship, based on approved investments, physical residence requirement, and of course due diligence checks of the host government."

Traditional venues joined by newer options

The traditional recipient countries such as the US, Canada, Australia, the UK, have been joined by newer countries in Europe and the Caribbean offering such programmes. Names such as Malta, Greece, Cyprus, Portugal, Grenada, and Caribbean have risen in prominence, for example.

Lai also highlighted migration data that showed how many Asian people are moving to Europe, not just with these schemes, but through work permits, marriage and other means.

"And we can see that in 2015 some 64,000 HNWIs obtained new residence or citizenship and by 2017 this had grown to about 95,000."

Lai remarked that alternative citizenship and residency nowadays are both driven by people in the North Asia region looking for freedom of movement, global mobility, access to labour markets, access to the capital markets, retirement planning, tax planning, succession planning, security and other core factors.

JENNIFER LAI
Henley & Partners

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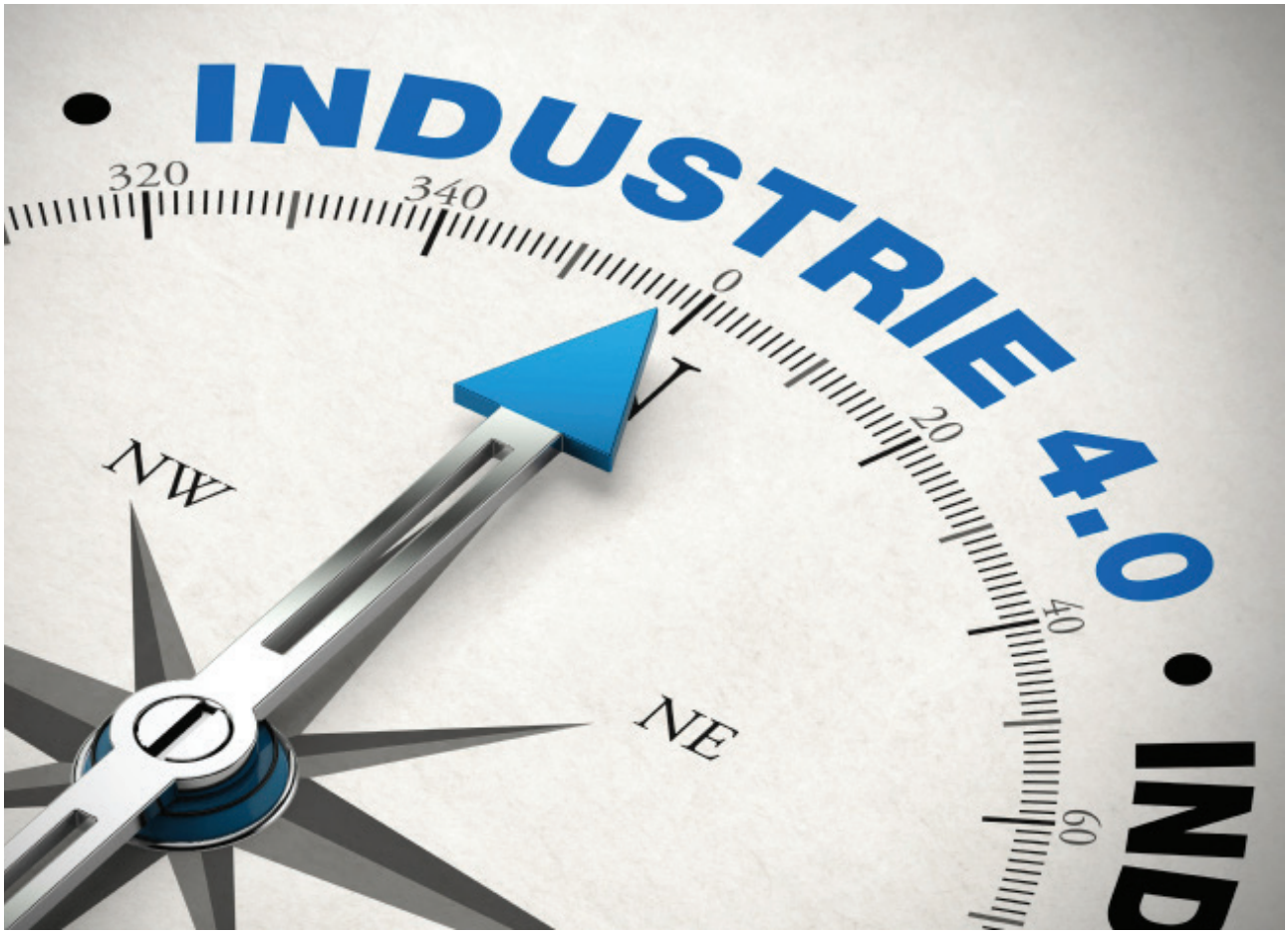

The holistic view

"Many HNW clients in the region are today looking for professional advisers to give them a holistic approach to their wealth, migration, and planning for the next generation of their families and so forth," Lai reported.

Lai then highlighted selected citizenship by investment programmes, noting that they can be split into two categories. The Caribbean options, she explained, include Grenada, Antigua and Barbuda, St. Kitts and Nevis, St. Lucia and Dominica while the European options are centred on Malta, Cyprus, Austria, and a recent entrant in the form of Moldova, a programme designed by Henley & Partners, which also works with many governments around the world to devise residence and citizenship programs.

The big picture

She instead turned her attention to the big picture of the links between freedom of travel, free movement of wealth and capital and the effects on economic prosperity, which of course can be significant for smaller Caribbean or even smaller European economies. The wealthy migrants, she said, add money to the property market, investment, healthcare, general spending and so forth.

She notes that Henley & Partners is in a very unique position. The firm has been working as an adviser to a number of governments since 1997, including Malta, Switzerland, St Kitts & Nevis and Grenada, Thailand, Moldova amongst others. "We are very proud of helping design many of these important citizenship or residence by investment programmes," she remarked.

Matching demand with demand

Lai closed her informative and insightful talk by noting that Henley & Partners stands on the client side, advising them on residence and citizenship options based on their need, and then implements the chosen strategy through the various Henley & Partners offices worldwide. And in doing so, we fulfil demand from HNWIs and demand from the host countries who are looking to bolster both their economies and their national diversity. ■

Cyprus Revitalized: How Asia's HNWIs can Capitalize on the Island's Reforms

Yiannos Trisokkas, Managing Partner of Casamont Cyprus, gave a presentation at the Hubbis Asian Wealth Management Forum to highlights the attractions of the Cyprus Investment Programme for Asia's HNWIs. He focused on the benefits of citizenship and tax residence in Cyprus, which is part of the European Union when structuring wealth, as well as highlighting some of the attractive Cyprus investment and real estate opportunities.

TRISOKKAS BEGAN BY COMMENTING THAT in his view there is hardly anyone in this world that does not really want alternative citizenship, especially HNWIs. "When they or we look into their practical needs, we appreciate this need, no matter where in the world the person is from and Cyprus as a country has seen this genuine need amongst HNWIs and as a result formulated the Cyprus Investment Programme."

He elaborated by noting that the applicant is eligible, as well as his or her spouse and dependents up to the age of 28, as well as the parents of the primary applicant, the latter irrespective of age and irrespective of financial status.

A straight line to the EU

The country's citizenship programme is the fastest route towards European citizenship available in the market. Trisokkas further explained that qualification for the citizenship programme requires a minimum investment of EUR2 million is necessary, and the process, if correctly followed, then offers a passport generally within six to eight months.

"The financial requirements of EUR2 million can be via one of three routes," he reported. "Either the real estate sector, which as we have seen before is an upcoming trend, alternative investment

YIANNOS TRISOKKAS
Casamont Cyprus

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funds, or EUR2 million into a Cyprus company that employs at least five Cypriot employees."

Trisokkas then highlighted the speed of the process. "It is only a six to eight-month process where the HNWI can really complete their alternative citizenship via investment," he stated.

Real advantages

He mined down further into the real benefits of this route. "You can become a non-domicile tax resident by staying there only 60 days, which is modest in comparison with other jurisdictions, which state at least 183 days as the minimum. The Cyprus Government has reformed their taxation system so that gives this benefit for those HNWIs so that they do not really want to spend too much time into the country but achieve this non-domicile status."

Additionally, there is zero taxation of dividends, zero per cent tax on capital gains. There are, he said, many double tax treaties, and the Cyprus tax system and legal systems are typically based on British law as Cyprus was once a British colony.

Real estate shines

Trisokkas turned to the opportunities in the real estate sector. "The real estate market in Cyprus has been well established there for a long time, successfully connecting to tourism, second homes, and also people wanting to live and enjoy the simpler luxuries of life rather than spending time in crowded cities," he observed.

Cyprus is well known as a remarkably beautiful island and is a wonderfully safe and pleasant place for retirement, or holiday homes by the sea.

"But, of course, investment in real estate," he added, "also has its challenges and it is advisable to seek professional advice. Prices are rising, one must be careful where to invest, and also appreciate how and where the best exit routes might be. Which is why we are here today with a rather unique proposal."

Solid investment opportunities

And with that he told the audience that Cyprus had recently granted a casino license to just one company and a monopoly for 30 years. "That is very unusual in the European Union and the license holder is from Macau. The Melco Group, which operates City of Dreams in Macau, now holds the license in Cyprus and will build the biggest resort casino of Europe in what is a very large investment of EUR550 million and set to employ more than 2500 people."

Construction has started, he reported, and as part of this an associated residential property investment, Citrine Estates, will be attached to the casino and will benefit from rental or possibly purchase demand from some of those anticipated 2500 employees and of course later from visitors.

Moreover, as this will be a mixed development of casino hotels, conference centres and other leisure facilities, this will drive tourism demand and of course, provide a very considerable boost for the Cyprus economy.

Citrine Estates beckons

Citrine Estates will offer a variety of investment options tailored to HNWIs, including the possibility of purchasing a complete block of apartments at a recent estimated price of EUR2.3 million, thereby satisfying the investment criteria for citizenship applications and providing an attractive real estate investment leveraging the casino development's future impact on the market. There are also villas of two to four bedrooms available, as alternatives to the individual apartments, or blocks of apartments

The Cyprus Citizenship by Investment Programme has already significantly boosted the liquidity of the property market, for example with sales rising by almost one quarter in 2018 and of those purchasers, some 70% were from overseas.

Trisokkas closed his insightful talk by reiterating the excellent opportunities Cyprus can offer HNWIs in terms of alternative citizenship, non-domicile and tax residence status in Cyprus, lifestyle, and potential capital appreciation or rental yield. ■

Revenues at Risk – Why Wealth Managers Must Rethink the Revenue Mix

Dr Silvio Struebi, Partner at Simon-Kucher & Partners, gave a fascinating presentation at the Asian Wealth Management Forum in Hong Kong, advising the audience that wealth management businesses in Asia should take an in-depth and impassionate look at their revenues to decide where their future lies. The 'big picture' tasks are to tailor pricing to client segments and their actual activity, while also striving to enhance recurring revenue streams.

THE DELICATE ART OF PRICING AND SALES PSYCHOLOGY in the world of private banking and wealth management is coming into greater focus due to increasing regulation, which is forcing these providers to find ways to ensure compliance in every aspect of their client interface and to shift from ad hoc, transactional revenues towards more predictable income streams.

The premise of Struebi's presentation was that the existing approach to pricing, monetisation, and discounts in the wealth management sector in Asia needs addressing more professionally, for sustainable growth and superior service.

However, the transition to advisory revenues is not an easy one. The struggle around pricing in the wealth management sector in Asia results from the continuing focus on transactional revenue as opposed to recurring revenue, which is proving more elusive than many had expected.

Transparency in the Asia region will be even more essential in the future, due in part to the demands of regulatory reform and inspections. The wealth management industry has remained too opaque for too long, but with increasing disclosure required for clients and due to compliance, it is gradually becoming an internal priority for all the players in this industry that they focus on and willingly embrace transparency.

Competition will also intensify, and accordingly the drive towards monetisation and value pricing will become more

SILVIO STRUEBI
Simon-Kucher & Partners

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crucial, with innovations and smart pricing strategies proving central to protecting and predicting margins.

Struebi explained that his firm is a mid-sized consultancy with 1,300 people across the globe and one of its core business practices is helping banks with their pricing, monetisation, and sales challenges. "We are recognised as the world leader in pricing," he stated, "and today we will talk a bit about how to shift revenues from the heavy transactional business to mandates and other products and services."

Changing behaviour patterns

He observed that revenue margins have been declining over time in the region. "What is actually happening is that customer behaviour is changing," he reported. "Competition has intensified; there is huge regulatory pressure on fees and fee disclosure. Costs of salaries and IT infrastructure are rising, and the current financial market environment is not helpful either."

Accordingly, Struebi said that banks should think about pricing when times are good - when returns are high, revenues are stable, and pricing flexibility is greater - rather than waiting until transaction revenues decline, as it may be harder to increase prices.

Understanding what you have

In terms of the revenue mix for the private banks in Asia, he noted three key points. First, loans, deposits, and transaction fees account for the majority of revenues, followed by trailer fees and some recurring fees, such as mandates, custody, wealth planning, and so on.

Second, the revenues from the core value creation of the investment element are not enough to cover the costs. And thirdly, transaction fees or trailer fees are under pressure. It is very tough to raise fees on the discretionary side, so the banks will inevitably face a revenue gap in the future.

Future-focusing

"The interesting part in all this is how we can react," Struebi explained. "There are actually five key measures, but today we will only focus on a few of these."

The first is discount management, which Struebi remarked is a major problem for banks, as they do not handle this in a structured, professional manner. Second is cost allocation, in other words, working out objectively which clients are particularly expensive to service and how much they actually produce in revenue.

The third vital measure to consider is cross-selling, rather than growing the client base. "That will be a vital future area," he noted, "because you have to work with your existing assets, just going for new growth won't pay off. Why? Because 80 percent of the assets you have are already in your book." And the fourth priority is to transform the revenue mix.

Sizing up your clients

Taking the first of these, discount management, Struebi highlighted how there is generally no clear structure between client size and transaction size. The RMs very often decide how much discount

they offer but it is not necessarily correlated to activity levels.

"We must, therefore, have transparency to know what kind of fees the bank is currently charging - many banks are often unaware," he reported. "So, what we suggest these banks come up with is a segmented approach to their clients, whereby they understand that they have different clients with different needs, and the behavioural aspect should also be factored in order to arrive at the recommended pricing."

An associated topic, Struebi elaborated, is what he calls pricing governance and monitoring. "You need policies and monitoring in place, as well as reporting and pricing software to arrive at full transparency regarding your clients and what kind of products they are using."

This approach, of course, helps RMs have more meaningful sales conversations, and with the vital element of front office support for price negotiations, the RM can become a far better price negotiator than he or she has traditionally been. "Banks," Struebi advised, "should invest more and really help and train the RMs to achieve a good client conversation about pricing."

Struebi turned to transparency on cost allocation. "This can help you identify the loss-making clients," he observed. "We typically find out that 70 percent of the clients are profitable, or more or less breakeven; some 20 percent of the client base account for almost 70 percent of the revenues - the old 80-20 rule - but the biggest challenge is that we find roughly one third of the clients are not generating enough revenue."

This third of the client base then becomes a priority, as they are the clients the bank must focus on, either to upsell them or cross-sell, or move them to a different service offering and at the same time to bring down the cost of serving them.

"You would be advised to have a software solution that supports you in this," he said, "as transparency via data and analytics are the future in the wealth management industry. Cost allocation has become a core factor in most of the industries, but unfortunately not yet in banking."

Transforming the product mix is also essential. Struebi recommended that banks empower client-facing bankers with greater knowledge.

"You need to follow the examples of other industries and analyse the customer segments, their needs, and their usage patterns and ultimately support the front line, so that the RM can really recommend the right products and achieve a better product mix," he advised. "Maybe you can also push out recommendations to clients, so that they see what types of services other clients have liked and that perhaps match their portfolio. This is closer to the style of approach we will see in wealth management in the coming years."

To grow the client base, the banks, therefore, need to price their clients based on the total relationship, the value they are giving back to the bank. "At this time," Struebi observed, "everything is pretty much product-based, but client-relationship-based pricing is the way forward."

Finally, Struebi highlighted that the value proposition and delivery methodology need addressing. "In the future, we think there will be a hybrid solution between technology and traditional personalised advice," he commented. "Clients sometimes want to talk to the RMs, but not always. They need choice, so we have to fill the gaps with entry-level mandates, so that clients get used to recurring services but also to recurring fees and so that they understand the value proposition."

Struebi closed his talk by mentioning a survey his firm conducted. "We found that the banks lack the 'wow factor'," he said. "For instance, when Apple innovates, it always highlights a new feature that drives customers' willingness to pay." The mission, he concluded, is to achieve better communication and marketing of the tangible value the banks are genuinely providing. ■

Hawksford in Asia: Expanding Relationships and Broadening its Offerings

Marcus Hinkley, formerly a 20-year career lawyer, was appointed head of private client services for Asia at the Jersey-headquartered international private client, corporate and fund services group Hawksford in the second half of 2018. He was attracted to the firm, as he believes that the growing complexities facing the region's wealthy present Hawksford with an outstanding opportunity to more comprehensively service the region's high-net-worth (HNW) clients.

"**HAWKSFORD IS A TRUST COMPANY,"** states Hinkley. "We live in complex times for Wealth Advisors. For instance, when I first arrived in Asia seven years ago very little was spoken about family governance. What I have seen over the last seven years is a transition to family governance becoming a central element of private wealth advisory. As such, our role has become much more complex and sophisticated."

Hawksford: ready for the next wave

Hinkley explained that from its Jersey headquarters Hawksford has for many years been known as a quality provider of private cleint services, including bespoke family busines and family office solutions, and he has been taksed with ensuring that same quality of complex service is available to Asian clietns out of its Singapore and Hong Kong offices. Providing advice on more sophisticated and holistic structuring around a family's needs, with family governance being a vital element of that dialogue.

Hawksford has a more than 60-year heritage in private client services, but in its current form it dates back to the 2008 management buyout of the trust and private client arm of Rathbone Trust Co Jersey from Rathbone Brothers Plc, a UK-

MARCUS HINKLEY
Hawksford

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listed wealth management and investment services firm, where it had been a successful business division for decades. UK private equity group Dunedin LLP was the buyer and remains the controlling shareholder to this day.

Rapid expansion in Asia

Hinkley operates out of the Hawksford HQ for Asia in Singapore, which is an ideal strategic hub for the rapidly growing wealth management and corporate markets of the region. Singapore had become Hawksford's Asia hub when in 2014 the firm made its first significant acquisition, buying the Singapore-based corporate services business in Asia named Janus, which also served clients in Hong Kong. Then in 2016, Hawksford was granted its full trust licence by the Monetary Authority of Singapore.

The company made a further major leap forward in the region earlier in 2018 when it acquired People & Projects Ltd (P&P). This was part of the firm's strategic expansion in Asia and brought into the group a dynamic, full-service corporate services business with a strong track record of supporting international corporates.

The deal was considered transformation for Hawksford's presence in the region, as P&P operated out of Singapore and Hong Kong, as well through several offices in mainland China. Its arrival also nearly doubled the global headcount, with fifty per cent of Hawksford's manpower now based in Asia.

Hawksford's presence at the Asian Wealth Management Forum was part of the firm-wide effort to expand its HNWI relationships through connections to lawyers, accountants, private bankers, IFAs, external asset managers, family offices and other non-competing advisers and intermediaries in the region.

Hinkley explained to delegates that the typical HNWI clients tend to be entrepreneurial, risk-takers and big picture thinkers. "They are increasingly interested in wealth preservation structures, because, to paraphrase what Warren Buffett once said, the intersection between wealth creation and wealth preservation is to never lose money. And for us in our role, that is critical, to help these clients manage the internal and external risks to their wealth."

Managing the internal and external risks

Hinkley then elaborated on what the preservation of wealth means, from his perspective. "We deal with people who are already successful in their financial life," he said, but our role is to help them keep that wealth, for themselves, for their families, and for the future generations."

Accordingly, the cornerstone of wealth preservation as Hinkley sees it is to play defence; although the HNWIs might be natural risk-takers when it comes time to setting up their structures for preservation and succession planning, risk should not be part of the equation.

"Wealth creation," he added, "is a very different skill set to wealth preservation. And I go to great lengths to my clients to explain that in the context of wealth preservation there are two discrete types of risk, the external and internal."

External risks, he elucidated, might be tax, or some form of political instability, possible confiscation of assets, pressure from creditors, the risk of data leaks, and in some regions of the world this can include physical risks such as harassment or even kidnapping.

Internal threats are about more about family, day to day life, divorce and other challenges that can destabilise wealth. "Divorce is the single biggest destructor of wealth in modern times," Hinkley noted, "and for the second and other generation, we all know

stories of wealth destroyed by relationships, for example mistresses, lovers and so forth."

Beware, history shows...

He referred to Philip Marcovici's book titled 'The Destructive Power of Family Wealth', in which the author posed the question as to whether the family will destroy the wealth, or the wealth will destroy the family. "It is a great read about the types of risks that a wealth owner should be protecting himself against," Hinkley remarked.

He then focused on the importance of family governance. "This helps protect against the internal and external risks," he explained. "This is especially important in Asia, where there are so many family businesses and where their succession is so critical. This is about leadership and development for the future, about financial and business education for the children. Succession planning forms an important element of this, as does structuring for that succession planning and conflict resolution."

Family Governance – using a family constitution

Hinkley expanded this theme by commenting briefly on a family constitution. "My typical role," he said, "is to establish structures for HNWIs, but some of what I am doing these days relates to discussions with clients on family governance, without talking about structuring at all."

For example, the client might already have the appropriate vehicles in place but wants to create or amend a tailored document, which ensures their governance. "For those unfamiliar with this sort of family constitution document," he reported, "it will likely include the mission, the vision, the values of the family, particularly if it is legacy planning is a primary motive, or if the founder wants to create a legacy or a dynasty."

Family governance, Hinkley explained, is a critical part of the constitution as is defining who the members of the family are. The document will define which generations are included, even focusing on the education and of course on future potential employment and the potential role of those family members in the business.

"Will this be based on merit or because they are part of that family?" Hinkley asked, rhetorically. "The document will cover areas such as whether family members are owners or custodians, how the family might be protected against divorce, not only of the founder but also of his or her second generations."

For the largest and wealthiest ultra-HNW families, he added, the constitution might even consider a family bank or possibly captive insurance. "And it is likely to include social responsibility," he noted, "as the best way to create an enduring legacy is often to set up some sort of philanthropic charity or similar."

Building out the dialogue

Hinkley closed his talk by explaining that the wealth structuring toolkit has several core tools, but that his starting point with clients is always to consider the simplest planning objectives, and then build out the dialogue from there.

"We might start off with a Will," he remarked. "This is vital and simple to organise, as well as inexpensive. Lasting powers of attorney are also very important. Then we might move to a simple company structure, then some sort of trust structure as well, or foundation. Mobility planning is becoming even more important, so considering alternative citizenship and residence options can be considered. Where there is a family business, a family constitution is often valuable. And for some of the ultra-HNWIs, the family office is the ultimate step."

Hinkley closed his talk by recommending a Workshop to be conducted later in the day at the Hubbis Forum by his colleague, to focus in more detail on the specific tools available for wealth planning. ■

The Attractions of Hong Kong Private Trust Companies for Family Wealth Preservation

Christiaan de Bruyn, Director of Trust Services at Trident Trust in Hong Kong, believes Hong Kong incorporated Private Trust Companies (PTCs) should be carefully considered as a great tool to hold and administer the assets of wealthy families. He knows that in the world of regulation and compliance we now all live in, PTCs are ideal, professionally structured, transparently managed vehicles for holding wealth, for avoiding family conflicts, and for resolving their succession needs. For optimised family governance, he told the audience at the Hubbis Asian Wealth Management Forum, the PTC is, therefore, an excellent option.

PTCS, DE BRUYN STATED ON OPENING his talk, are exceptional vehicles, but only if professionally structured and managed. For example, selecting the right Board of Directors is essential to avoid potential problem scenarios. He told the delegates that in his six-year experience at Trident Trust in Hong Kong, which is a specialist in such structures, he had witnessed first-hand how such vehicles, if properly formed and administered, can be outstanding solutions for family wealth preservation.

He gave two real-life examples. Family A, he said, is well-structured, has robust, well-managed family businesses, has the right vehicles for holding the family wealth, with multi-generational family involvement and empowerment, and therefore appears well on track to maintain appropriate solutions to manage and preserve their wealth.

Family B has similarly sound operational businesses, but all decisions go through the 80-year old founder who appears to dominate the family and who has no succession plan in place. "We saw a group of family members," de Bruyn reported, "all with their

CHRISTIAAN DE BRUYN
Trident Trust

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lawyers present, all preparing for a fight over the money when this person passed away."

Breaking the mould

De Bruyn noted the popular theory that family wealth lasts only three generations. "But you can break that curse through proper structuring, proper family governance," he remarked.

Founded in 1978, Trident Trust is entirely privately owned and independent, and is a global provider of corporate, fiduciary and fund administration services to financial institutions, professional advisors, family offices, international businesses and asset managers. The Group has offices in more than 20 jurisdictions and has a long track record of establishing and administering structures that help preserve wealth from generation to generation.

Its Hong Kong office has been in operation for 26 years and provides trustee and corporate services, serving families with family trusts and serving corporates with pre-IPO trusts, EBTs and company secretarial services. Serving PTCs takes a combination of these skills.

A PTC is a company incorporated to act as trustee of a family trust and acts only for one family. Trustee decisions are taken by the Board of Directors of the PTC, with family members also able to sit on the Board. There is an administration agreement, which de Bruyn noted is easy to design but difficult to get right in practice.

"For most of your clients if they want to have a family trust," he explained to the audience, "we can definitely help them, but for the bigger families, especially the big business families, they want a little bit more."

The benefits

The core benefit of a PTC is that it offers those who want a trust situation but also want to have some control over the trustee decisions and the trust assets. The PTC can hold high-risk investments, like private company shares, that a trust company does not want to hold. The PTC can become a formal 'meeting place' for a wealthy family to take decisions about the family business but also about managing the family wealth and about distributions. This can be a great tool as part of a succession plan.

A PTC is therefore basically a company that is set up for the sole purpose of acting as trustee of the family trust, de Bruyn elucidated. "The key difference," he noted, "is that the family members can be directors of the PTC and therefore have a say in the process of determining what happens to the trust assets."

Setting up properly is essential

It is vital to get the process of managing the underlying companies and assets right from the outset and for that the family charter, the family constitution,

is a key part of the process. Then the other difficult question, de Bruyn added, is who should be the shareholders of the PTC. The most frequently chosen structure he sees is having a purpose trust above the PTC.

De Bruyn further summarised the appeals of a PTC by noting that what makes it different from a commercial trust company is that it only acts for one family and the family members sit on the Board of Directors and they are part of the decision-making process.

He acknowledged that can also sometimes be a problem if the PTC is not professionally administered. "Accordingly," he noted, "what we usually do is have an administration agreement that we sign with the client where they delegate a number of tasks to us."

And he added that a good trustee must have proficiency in legal requirements, knowledge about accounting, investments, tax requirements and lastly, but not least, psychology. How to keep the family together and how to resolve conflicts, he remarked, is really the most difficult skill. "They call this a soft skill, but actually that's the hardest skill of them all," he joked.

Why should families establish PTCs? "Very simple," de Bruyn said, "they want to keep control. However, while that is all well and good, they also need to take the consequences of that control into consideration. And another reason is that PTCs can hold high-risk assets that sometimes a normal trustee would not be able to handle."

Beware residency issues

A key issue, added de Bruyn, is the tax residency of the PTC board. If the majority of them are tax resident in one country, perhaps a high tax country, it may, de facto, make that PTC tax resident in that country. "A knock-on consequence of that," he noted, "is that the tax residence of the PTC determines the tax residence of the family trust. Accordingly, you don't want to have all your family members in a high tax country sitting on the board of the PTC, dragging the PTC into the tax net of that country. So, choose the members of the PTC very carefully."

He also cautioned that how the PTC is classified for FATCA, for CRS, for tax reporting requirements, all of those areas, is also difficult to assess, but he said these were issues to deal with in more detail at a later stage. Additionally, the new Hong Kong licensing regime that became effective in 2018 must be considered. The Trident Trust Group also provides PTC services from other offices, with BVI, Singapore, Jersey and Guernsey being popular. One needs to consider the local administration and directorship and regulatory requirements.

Take advice from the experts

De Bruyn is a CPA registered in Hong Kong, the UK and South Africa. He has grown up in a family business, in the 4th generation. He has worked in financial services for more than 30 years in a career spanning Europe and Asia, including almost 20 years in the trust industry. He holds the STEP Advanced Certificate in Family Business Advising, which he completed with distinction. He can speak English, Afrikaans, Dutch and French.

He closed his presentation by explaining briefly that Trident in its role as PTC administrator can help the family to manage the PTC, as well as administer the underlying trusts. He aims to contribute to keeping the family prosperous and break the 3-generation pattern. ■

Why Malta's Fast Growth Diversifying and Welcoming Economy Resonates in Asia

Who would like to visit Malta? Who would want to be resident there, or have Maltese citizenship? Most people would be the answer to the first question, for those who are aware of its charms and beauty as a holiday. And many high-net-worth families and entrepreneurs is the answer to the second question. Malta is a small economy in the Mediterranean, but it has been growing at rates comparable to those of China and Vietnam over the past years, is in the European Union and in the British Commonwealth, and has an increasingly diverse economic base, as well as a wonderful lifestyle. Federico Vasoli, lawyer, director of dMTV Europe, with offices in Malta, Vietnam, Dubai and Singapore, and Member of FinanceMalta, gave a presentation to the Hubbis Asian Wealth Management Forum in Hong Kong to highlight its many appeals for Asia's wealthy individuals and families, as well as the wealth management community at large.

"**THERE IS A LITTLE ISLAND SOMEWHERE** in the Mediterranean that you might have heard of, it is Malta," Vasoli said on opening his presentation. Vasoli is director of the law and tax firm dMTV, standing for his family's surnames de Masi Taddei Vasoli, an organisation that offers legal, tax and corporate services to companies and entrepreneurs, with offices in Malta, Vietnam, Dubai and Singapore and a close co-operation with the law firm of the same name in his native Milan, Italy. And he is a member of FinanceMalta, the government body that promotes inward investment into the country.

FEDERICO VASOLI
FinanceMalta

Malta – small but growing...and welcoming

Malta is less than half the size of Singapore, with fewer than half a million people living there, of which many are expatriates

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from virtually all over the world, yet it is enjoying an extraordinary growth of 5.6% year on year GDP growth. "We are talking here about a very small economy, the absolute number for GDP being EUR12 billion, but it is a happy island in the middle of the Mediterranean Sea in a strategic location and with great appeals, including safety, English as one of the two official languages, diversity and the generally high level of education and professionalism of the people that shape its economy"

Vasoli is a lawyer admitted to the Bar of Milan and to the Malta's Chamber of Advocates as a European Union lawyer and by the Vietnamese Ministry of Justice as a foreign lawyer in Hanoi. He resides in Malta and is the managing partner of the international legal and tax advisory firm dMTV Global, headquartered in Singapore, and director of its Maltese subsidiary dMTV Europe.

Malta's multi-culturalism

Vasoli lives in Malta and works with many people from many countries, some of whom turn to Malta for alternative residence and citizenship, which also naturally brings them EU freedom of movement rights.

He has over ten years of experience in international business law and assists large groups as well as small and medium enterprises and start-ups based virtually in any jurisdiction, primarily in dealing with domestic and international contracts and company law, trusts, international tax matters, in a multiplicity of industries, including blockchains and IoT, wealth management and funds.

His exposure to both traditional European and dynamic Asian markets and cultures already at a young age has allowed him to develop an ability to work on multi-jurisdictional materials and cases and to understand corporate clients' needs and aims, as well as those of HNW families.

He is a keen promoter of the merits of Malta as a destination for inward investment and as a host for new residents and citizens. "Political stability," Vasoli explained, "is driving Malta's growth, which is running at about 5.6% year-on-year, by far the best in the entire EU, of which it is a member since 2004, having thereafter adopted the Euro. There is a government in power now with the largest ever parliamentary majority in the history of Malta, there is great cultural diversity, there is the history of British law and customs and a very enjoyable Mediterranean approach to life. Infrastructures such as roads and public transportation need to be revamped, but the government is doing that and is welcoming foreign expertise in this and other fields that are pivotal to Malta's continuous and sustainable growth. The fact that the island is wealthy but not entirely developed yet and slightly cheaper than other major global hubs, coupled with tax incentives, the rule of law and hard-working, professional people on the ground only means tremendous opportunities".

Blockchain island

He observed that there is a growing diversity in the economy, broadening the

country away from its traditional tourism, which remains robust. He highlighted, for example, logistics such as shipping and freight forwarding, pharmaceuticals, high added value manufacturing, packaging, foods, digital currencies and technologies such as blockchain. "Moreover," he noted, "Malta is the very first and so far only jurisdiction in the world with a comprehensive legal framework for blockchains and other distributed ledger technologies, and what they call virtual financial assets. And the country is a leader in iGaming, with defined rules and taxation."

Finally, Malta has developed its financial services, including the fund industry, asset management, fund administration and processes. "There is also a dedicated listing on Malta Stock Exchange for small capitalisation companies, called Prospects, which is adding to the growth there."

Tax efficiency

Vasoli also highlighted a key growth factor of low effective tax rates relative to other mainstream jurisdictions, in Europe at least. "They have adopted a so-called two-tier system whereby a shareholder owns the shares in a holding company, which in the case of families and companies exposed to Asia could easily be in Hong Kong or Singapore, and with tax rebates, the final effective tax rate on income can be as low as 5%. It is very attractive, also because it has been vetted and approved by the EU."

The same, he noted, goes for a special category of professional investment funds (PIFs), which Vasoli said are relatively cheap to manage, to set up, and to maintain, vis-à-vis more established jurisdictions in Europe.

And finally, Vasoli focused on the benefits of relocating either residence to Malta or achieving citizenship via investment. "Citizenship programme in Malta is cheaper than Cyprus," he reported. "It implies investments in property and the property market is going up, in bonds and here the current accounts of Malta are quite good at the moment. And it involves the contribution to the national development and social fund of Malta." ■

Swimming with Sharks: Capital Protected Structured Solutions for Uncertain Times

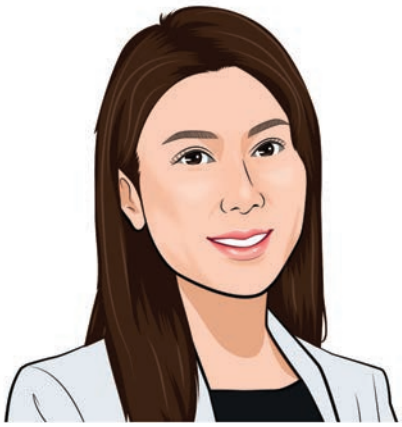
Agnes Shea, Co-Head of Private Banking Sales Asia for Leonteq Securities is adept at working with the wealth management community in the region to tailor structured investment products for the client portfolios. She gave a presentation at the Hubbis Asian Wealth Management Forum to explain why she believes that Leonteq can offer some smart capital protected structured products for Asia's HNW community, especially during volatile market conditions.

SHEA BEGAN BY WELCOMING THE POSITIVE PATH of the financial markets thus far in 2019 noting that at the time of the Forum, February 26, global markets had been on a bullish trend for several weeks. The S&P, she reported, had broken its 200-day moving average, the NASDAQ index was up 20% since its Christmas eve low, and only the day before, on February 25, China had rallied 6%.

Up again, but for how long?

"However," she remarked, "some notable market risks continue to linger in the minds of investors such as the US-China trade war, Brexit uncertainty, and signs of global economic slowdown. So, in this market environment for investors who are still moderately bullish and would like to have exposure to certain underlying assets but at a reduced risk, they may consider investing into a capital protected product called Shark Note or also called Shark Fin."

With that, Shea dived into the waters and explained that she would highlight the appeals of Shark Notes, which she said had become very popular in the wealth management world since last year. Specifically, she would cover two versions, one is the 100% capital protected version and also another template, the 95% capital protected version.



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Leonteq Securities

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The Shark: a wonder of creation

A Shark Note offers up to 100% capital protection at maturity, she reported, meaning if the market does not perform, the investor's initial investment would not be at risk. It is suitable for investors who are moderately bullish on the underlying as it offers investors upside participation up to the predefined barrier level. And even if the underlying does breach this barrier level a rebate coupon could be paid. She illustrated this with reference to some excellent slides she presented to the delegates.

She then offered an example. She highlighted a Shark Note in US dollar that is 100% capital protected at the 18-month maturity, with the underlying comprising an average basket of two stocks, Apple and Google. The 'strike' level she explained is 100% of the initial fixing so the basket performance will be based according to the strike level.

No basket case

She explained that if the basket moves up by 1% the investor will receive 1% return. And there is a barrier at 117%, which means if the basket climbs by 17% from the initial level on any trading day, based on the closing price that day, the barrier level would have been breached. When the barrier has been breached then the investor will receive the 6% coupon at maturity, equivalent to 4% per annum return for the 18 months, she noted.

Shea also highlighted another version with an early redemption feature, which means an investor would not need to wait until the 18 months to receive their initial investment and the coupon upon the breach of the barrier. This, she said, has become moderately more popular lately because it is more difficult for clients to invest in an 18-month product, especially when the market is becoming a little bit more uncertain.

No need for make-up

She also focused on what happens if the underlying does not perform and the basket falls, for example, 10%, thereby closing at 90% of the initial investment. "Because the product is capital protected, the client will still receive their initial investment back," she reported, "so the real beauty is they are 100% capital protect but of course will not receive any coupon in this scenario."

She also considered what happens if the basket moves up 10%. This results in the client getting 10% in return, in other words in a one to one ratio, or 15% for a 15% rise in the basket. But if, on any single day, the basket breaches the 117% threshold, so for example if it ends up at 120%, at maturity instead of getting the performance the client will receive only the flat coupon, the 6%. in this case 6% flat coupon return.

Sweet spots

"Accordingly," she told the audience, "you can see the sweet spot is actually in the range only up to the 117%, within which the client participates alongside the positive performance of the basket." But if 117% is breached, all bets are off and the client only receives back their capital plus the modest coupon.

An alternative sees the investor willing to take on a 5% risk to their capital and invest in a 95% capital protected product. All other terms remain the same, but because of taking the 5% risk the rebate coupon rises from the previous 6% to 16% flat. Accordingly, if the 117% barrier does get breached on any single day the client would actually receive roughly 10.67% per annum in return.

And if for this 95% product at maturity the basket closes 10% down, the investor suffers only a 5% loss of the initial capital.

And should the basket on any day breach the 117% barrier, for example if it closes at 120%, because of the 5% risk that the investor has taken, the rebate has as a result significantly improved. "This means," Shea elucidated, "that even if there is a breach of the barrier, the client will still receive a 16% rebate at maturity." ■

Leonteq: Building its Name and Product Delivery in Asia

Leonteq is an independent financial services firm, listed on the stock exchange in Switzerland. Leonteq has around 480 employees globally in 11 offices. In Asia, the firm operates through the regional headquarters in Singapore, and has an office and onshore license in Hong Kong and Tokyo.

Switzerland is one of the largest markets globally for SPs in terms of volume, and Leonteq is one of the largest issuers. In 2018 the firm issued roughly 28,000 bespoke products, for a total traded volume globally of around CHF28.8 billion.

The firm is an expert at creating products for financial institutions, mostly private banks, securities houses, who sell them to their private clients. Leonteq also creates SPs tailored for institutional clients such as the asset managers and insurance companies, for their own investment purposes.

A key feature of SPs is that they can be customised to align directly the risk-return profile of the investors with their investment views. Crucially, they are not created by Leonteq based on any views the firm might have on the direction of any markets.

Leonteq is well known for having an outstanding technology platform, from which it can create these tailored SPs efficiently. The firm aims to be faster to price and issue new products, while proposing competitive pricing even for small trade sizes. Innovation and flexibility are core to Leonteq's abilities to suit local needs.

Structured products (SPs) are usually created from the combination of a liquid asset and a derivative, packaged in a single product. SPs are therefore tailor-made solutions that can be created on various asset classes, such as equities, indices, ETFs, mutual funds, commodities, FX, interest rates, credit and so forth.

SPs can for simplicity be defined in three categories. The first is the capital protection SP; this is typically created on low volatile underlying assets, such as fixed income and balanced funds. It allows the investor to participate simply in the fund performance with full capital protection.

The second SP would be classified as yield enhancement product. It is usually used on volatile underlying assets, such as equities, indices and commodities. Investors will receive a fixed guaranteed coupon/yield (the upside), while combining soft downside protection.

The third category is the participation product. It allows the investor to get more upside with the same downside risk inherent to the underlying asset(s); or the same upside with less downside exposure. These products are usually seen as equity replacement ideas.

Private Banking: - A New Point of View

Evrard Bordier, Singapore CEO and Managing Partner of Swiss private bank Bordier & Cie, has a deep understanding of the foundation that forms a genuine private bank and a keen sense of the strategic positioning the institution will need to overcome present challenges. He shared Bordier & Cie's strategy for developing a strategic co-operation model to expand in APAC.

"**IN THE 25 YEARS SINCE I ENTERED** private banking," Bordier began, "I have seen many changes, most recently with CRS and AEOI." He noted that while private banks may be naturally inclined to preserve their heritage, they must also constantly reinvent the brand in order to stay relevant.

"Bordier & Cie is a family business and has been so for 175 years and is now in the fifth generation," he explained. Focused on passing on the business to the next generation, Bordier remains prudent about taking the right step in the next direction.

In a bid to capitalise on its boutique set-up, Bordier & Cie has embarked on a focused approach to collaborate with regional banks. "We help them build a private banking offering, since it is our core expertise" says Bordier.

Private banks must adapt

Bordier explained that like any private bank, Bordier & Cie must reinvent itself. Private banking is under stress, from both an economic perspective because of initiatives such as CRS and the drive to greater transparency arising from increased competition, margin compression on brokerage and the cost of compliance. "There are also cultural obstacles," he added, "for example private banks are seen as being out of touch and opaque due to the multiple layers of fees imposed. The lack of competitive pricing and IT limitations are also some of the challenges we face." He added that the perception issues facing the industry are further compounded by the lack of differentiation among private banks, making it challenging for clients to make a nuanced decision.

EVRARD BORDIER
Bordier & Cie

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Mapping the clients' needs

"We approach this in a novel way," he reported. "We use psychometrics to map our clients' internal aspirations and goals . From here we curate different investment strategies to manage money in accordance to what is important for them. Clients really appreciate this because the investment becomes explicitly tailored to what they want and need in their lives instead of what the bank provides."

Strategic Co-operation

Bordier explained that the bank works with regional banks to help them start or enhance their private banking operations. With an eye towards setting up best-in-class wealth management capabilities, Bordier & Cie makes use of its own expertise and resources to help identify key areas needed to shape the value proposition for these banks.

The three questions

Bordier explained that the regional banks must first decide if they want to make a foray into private banking. The answer has mostly been determined by the immense private wealth expansion in Asia, with more than 80% of private wealth not professionally managed. Moreover, inter-generational wealth shifts are seismic in the region, thereby opening avenues of opportunity.

Assuming the decision is 'yes', the next question is whether to develop private banking organically or through partnering.

"Do you opt for a big bank or a boutique bank that is perhaps more agile and adept at offering new solutions?

He noted that while there are pros and cons of partnering with a smaller institution such as Bordier & Cie, the most obvious reason to choose a private bank rests in the certainty that a boutique is more likely to remain offshore, which eliminates any underlying concerns about potential competition.

"We are not the only private bank taking this route," Bordier remarked, "but we believe that given our size and niche offering we have developed an appealing model to build in this region." ■

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Contact details

Marcin Konkolowicz
Manager, Business Development
Finantix Asia-Pacific Pte Ltd
Singapore
+65 9112 8275
marcin.konkolowicz@finantix.com

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To Win, Emphasise Your Human Advantages

David MacDonald, Head of Learning Solutions at Hubbis gave a talk at the Asian Wealth Management Forum to warn delegates of the dangers of not honing their human skills to align with and complement artificial intelligence and machine learning. Those who recognise this need can provide their clients with excellent advice and outcomes. Those who do not heed this advice might risk obsolescence.

MACDONALD'S PREMISE IS THAT THE ADVANTAGES of human interaction in the wealth management industry will remain extremely important, but only relationship managers and client-facing wealth management personnel can tune in to the same wavelength as their high-net-worth customers. If so, they stand a good chance of offering a dedicated and highly client-centric service. To achieve that the human connection should be emphasised and digital tools such as artificial intelligence and machine learning should add to their skills, not take them out of the picture.

Hubbis offers a range of training programmes including specific modules on building and expanding client relationships. The mission for relationship managers, MacDonald believes, must be to elevate themselves well beyond the role of simply reacting to and/or transacting client instructions.

If the clients see relationship managers simply as enablers, then the clients may soon migrate to easier or cheaper solutions. However, those client-facing professionals that can communicate incisively, sensitively and meaningfully with their clients and who can identify and articulate their added-value, can prosper in Asia's high growth wealth management market.

Are you ahead of the game?

MacDonald asked the audience at the Hubbis Asian Wealth Management Forum if, as client-facing professionals, they have a clearly defined strategy for how they and Artificial Intelligence (AI) might co-exist over the next 5 to 10 years. "Studies show that this industry is at an inflexion point," he

DAVID MACDONALD
Hubbis

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hubbis

reported, "and we hear reports that anything a human can do with one second of thought or less can probably be automated. Does that mean your jobs, your roles, could just disappear?"

MacDonald then cited the results of a survey conducted by Capgemini in its World Wealth Report 2018. He noted that according to the report, high net worth individuals (HNWIs) across the globe continue to demand hybrid advice, with more than 50% globally saying that it was highly significant. The conclusion, according to Capgemini, is that hybrid advice forms a critical top-line growth enabler for firms, with 68.7% of HNWIs globally indicating hybrid advice was a significant factor regarding decisions related to asset consolidation with their primary wealth management firm.

Additionally, Capgemini concluded that better personal connections between wealth managers and their HNW clients may lead to better HNWI satisfaction scores. In 2018, only 55.5% of HNWIs said they connected 'very well' with their wealth managers, according to the report.

Are you satisfied?

"This is a concern," MacDonald commented. "How many client-facing people regularly check with their clients whether they are satisfied with their experience, whether they are happy with you with regard to your level of communication, your regularity of communication, your transparency regarding fees, and so forth. Not many people ask clients those types of questions."

MacDonald maintained that making assumptions about client satisfaction is clearly risky. On the other hand, seeking feedback proactively will help the relationship manager hone the advice and the delivery and the overall communication to improve the general level of satisfaction.

"With the advent of robo advice," he noted, "there is a greater need to re-validate the human connection in order to emphasise the relevance and added-value of the relationship manager in the overall wealth management equation. No algorithm in the world will ever be able to fully replace the human relationship, but relationship managers must work harder and more consistently to discover, rediscover and reiterate this added value."

Be happ(ier)

MacDonald also highlighted another finding from the Capgemini World Wealth Report, namely that better personal connections with clients makes those clients happier. "It is partly about augmenting your reality," he explained. "We need to be real about what it is we are doing, how we are doing it, why we do it and why clients should continue to want to do it with us."

MacDonald added that the ability to be human will become increasingly important in the age of AI, but only if you can master the skills and the behaviours that differentiate you from a machine.

"Over the last 18 years or so," he reported, "I have had the pleasure of interfacing with

probably about 3000 to 4000 client-facing people like you in skills training workshops, trying to help them to develop the ability to communicate more effectively with their clients, to ask better, more searching, more deep-thinking questions, to be able to put forward their proposition in a non-selling way. My experience shows me that many people do not truly understand what skills are required that are uniquely human, or what they need to do to bring those skills to the table."

Raising your game

The mission for relationship managers, MacDonald concluded, is to elevate themselves well beyond the role of simply reacting and transacting to client instructions. "If the clients see you as someone who is just an enabler, then you are already on the way to losing the client as they can do that without you, sooner or later, and quicker, more reliably, as well as cheaper. You must come back time and again to the value you add to your clients."

MacDonald then observed how AI cannot engage anyone in an intelligent, fluid conversation, or react to or achieve meaningful insights. "We consistently emphasise in our training programmes that relationship managers and anyone client facing should be seen by clients as a true partner, someone that is indispensable in helping them make key decisions that affect their wealth and therefore their lives."

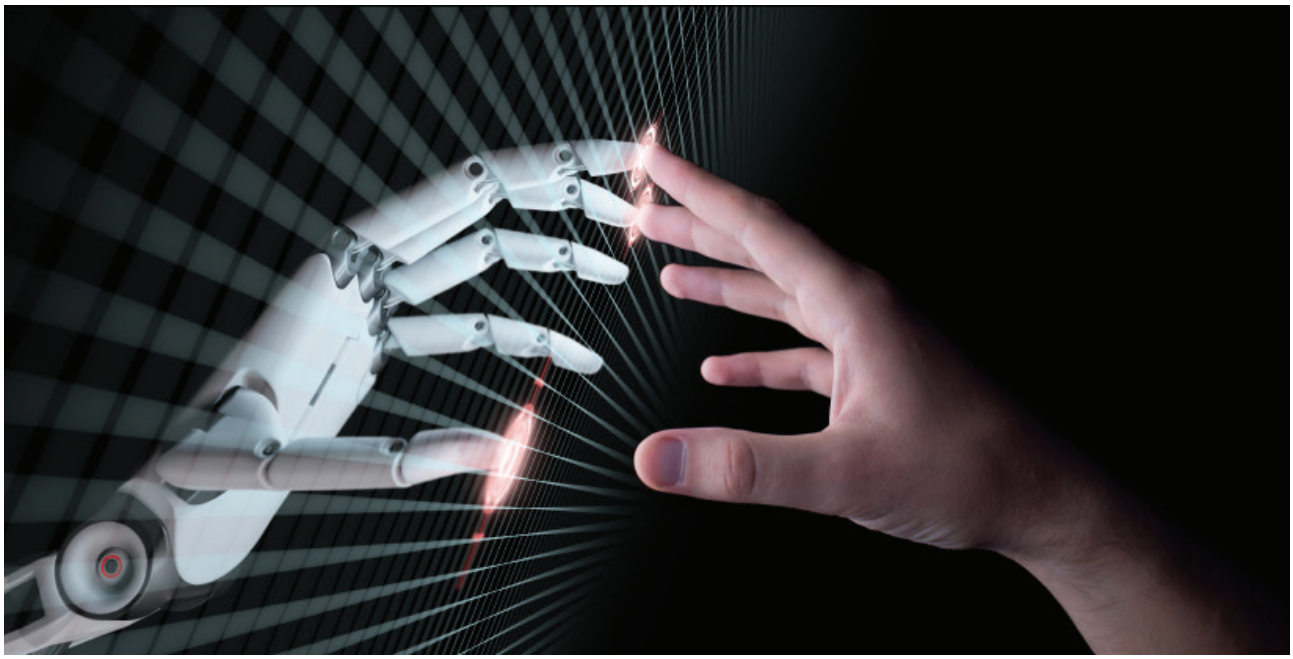
MacDonald added that his mission is, therefore, to help Hubbis clients think about some of the essential strategies and skills that might help them to better and more regularly engage clients in deep, meaningful and insightful conversations and therefore to add value throughout the relationship.

"Accordingly," he advised, "it is vital to think about communication and questioning, and on this latter point I mean questioning the client in a way that engages that client in deep thinking. Empathy is also essential, the ability to influence another human being to feel that we are being empathetic is very important."

Selling, MacDonald continued, is not about coming up with solutions, not about solving problems, but having people persuaded to change their mind about something. "Questioning, communicating, demonstrating your empathy, your vision, your strategic thinking, all these elements help clients understand, you are therefore influencing people to think and change their minds."

Be a winner

In summary, MacDonald advised the audience to be ready for the AI evolution. "For those here who think it is not going to affect you, you are the ones who have no plan, you will wait and become a victim of this, rather than being in control of it. However, you can complement what is already happening with your unique human skills and both survive and prosper. Be different." ■



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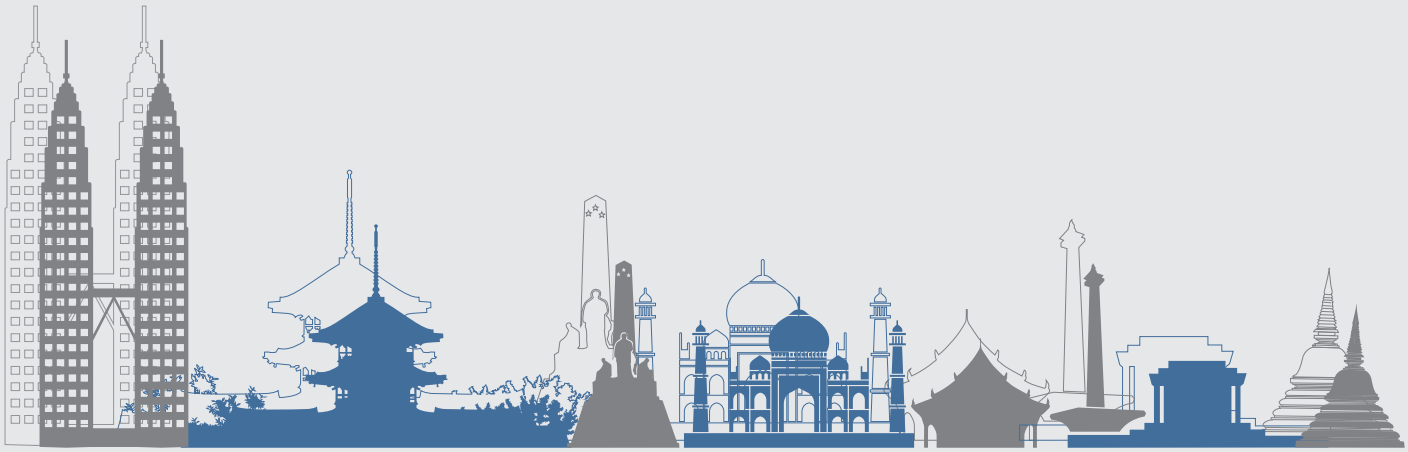

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Extoling the Virtues of Being Open Minded, Client-Centric, and Humble

Malik Sarwar, CEO of wealth management firm K2 Leaders, USA and also Chairman of Hubbis, opened the Forum by welcoming the delegates to the Hubbis Asian Wealth Management event, and extoling the virtues of listening to what clients actually want, or need, and then humbly proposing ideas and products that are carefully tailored to these requirements. He implored delegates to be open minded and to help advance the wealth management industry's skills and reputations.

HE NOTED THAT IT IS NOW ROUGHLY 10 YEARS since the global financial market meltdown, and remarking that although that is in the past, today there is widespread volatility, causing angst and jitters everywhere among the high-net-worth clients, institutions, and retail investors around the world.

"After the global crisis," he observed, "there was a lot of soul searching and the big issue was why did it happen. My own take is the 'H' word, 'hubris', or excessive pride and self-confidence. We thought we had it all then, derivatives, mini bonds and so forth, we thought we could sell anything, that clients would make money, and even if they did not, then we would."

But Sarwar believes that what is needed is humility. "However, while it is not really in our DNA to be humble, we should be and we should be really asking clients what they need and then helping them, and even anticipating their needs."

Sarwar observed that the wealth management industry has a surfeit of information but is relatively starved of knowledge and wisdom. "We can try to actually develop something that educates clients, so we can guide clients and be their financial lifeguards, for themselves, for their children, grandchildren, then I think we would start earning the right to be treated as 'friends' of our clients, rather than bankers who are trying to make money off them."

MALIK S. SARWAR
K2 Leaders

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Sarwar said that he had purposely veered away from his advice recently when at an ETF conference in the US. "I did this as a test, I met a potential client and immediately told him what I was selling, telling him that I wanted his business. I violated every principle and he soon turned away, saying that he had to go. But this is a real example of what goes on, every day, in this industry. The most important space in our industry is the three feet between an advisor and the client, but you must genuinely listen and care, understand and then build a plan that suits that client."

Sarwar highlighted also a key trend in the industry that would be considered during the Forum. "One megatrend that Fidelity group has identified is generational wealth transfer from the founders to the children, spurring the release of a USD30 trillion industry, and this topic will be covered in our first panel, shortly."

Secondly, he added, Fidelity has noted the shift of wealth towards women and their consequent empowerment. "In the baby-boomer generation only a third of the women actually controlled wealth, but in Generations X and Y it is over 50%," he reported. "Accordingly, I am glad to see that there is a good representation of women in this room, especially because by 2030 women the predictions are for women to control two-thirds of the wealth in the US, through creation and inheritance."

Another trend, he noted, is towards investment along ESG and 'green' or impact investment principles. "This has taken on slowly in Asia, but it will come through in the younger generations, as will digital delivery methodologies," he stated.

And with that, Sarwar opened the Forum with a request for the delegates to keep open minds, to open themselves to challenges and to be wary of certain assumption. "The mind is like a parachute," he advised, "which works best when it is open. Let's all learn from each other and make more of ourselves." ■

Managing Risk in Asian Equity Markets

Dr. Harold Kim, CEO of Neo Risk Investment Advisors, presented a Workshop at the Hubbis Asian Wealth Management Forum to share his insights on the recent performance of Asian equity markets and ways in which active risk management and diversified alpha exposure can improve investment returns. His detailed presentation not only informed but also engaged an audience eager to learn more about the theory and application of dynamic risk management.

KIM BEGAN WITH A DEFINITION OF INSANITY attributed to Albert Einstein: "Doing the same thing over and over again and expecting different results each time, which," Kim noted, "could also apply to investing and not learning the lessons from what have been a difficult twelve months in global equity markets."

Kim explained that he had founded Neo Risk several years ago with two colleagues after leaving a 20-year career at Citibank, where he had been responsible for the investor derivatives business in Asia. The premise behind the creation of Neo Risk was his observation that Asian investors lag in terms of understanding advances in quantitative finance that can be used to improve investment performance, including derivatives, factor investing, dynamic risk management and asset allocation. Kim's mission is to apply these skills and approaches in Neo Risk's advisory business and within the fund that Neo Risk manages on behalf of the firm's clients.

Neo Risk's two pillars

Neo Risk has two core businesses. The first business is investment advisory, working with a range of investors, such as family offices, hedge funds, insurance companies, asset managers and other institutional investors. "We help our clients think about risk systematically in a variety of ways," Kim explained, "such as for strategic portfolio allocation and how to make risk more dynamic, or better ways to implement a long/short hedge strategy, including how to determine net exposure more quantitatively, or designing investment strategies to accomplish certain objectives."

Neo Risk's second business is managing the two-year-old REAP Asia Equity Fund, which uses a risk-focused investment strategy to deliver returns.

HAROLD KIM
Neo Risk Investment Advisors

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Focusing on recent market conditions in Asia, Kim observed that the investment environment changed dramatically from 2017 to 2018, in particular, that risk had risen markedly over this period.

From low risk to much higher risk

He noted that realised risk of Asian equities for much of 2017 was in the range of just 8% to 10% volatility, reaching unprecedented historical lows. However, starting at the end of January 2018, risk rose dramatically with realised volatility surpassing 20% by the fourth quarter of 2018, representing a doubling of risk from 2017.

Kim pointed out that, unlike returns which are impossible to predict in the short run, volatility is very persistent, which means that if volatility is high today, then volatility will most likely be high tomorrow; similarly, if volatility is low today, then most likely it will be low tomorrow. Persistence implies short-term predictability. The key to dynamic risk management, then, is to recognise when markets are in a state of high volatility or low volatility and to position the portfolio allocation accordingly, and to be reactive when markets are transitioning from one risk state to the other.

Dynamism in our portfolios

"Dynamic portfolio allocation," he explained, "simply means changing portfolio allocations through time, in our case, as risk changes. I want to demonstrate to you what would have happened if you had used an approach like this over the last few years in Asian equities."

Kim explained that over the past two years there was a clear move in risk, starting from a low-risk regime during most of 2017, followed by a step up to a moderate risk regime in early 2018 and then a higher risk regime in October 2018. Kim then challenged the audience: "Did you change your portfolio allocation," he asked, "as equity risk doubled?"

Kim continued: "Dynamic risk management means reacting to changes in risk. It isn't enough to just measure and monitor risk; critically, you need to act. In short, when risk starts to change you must do something."

Take action

Kim recalled a meeting several years ago with a prominent Asian hedge fund manager. Kim discovered that while this fund manager was indeed measuring and monitoring risk, he was not acting on the basis of the information. "You have to manage risk, meaning if your measured risk is too high, you need to react by reducing net exposure, or shifting allocation to stocks that are less volatile," Kim advised the audience. "Action, making change, that is risk management. In our case, dynamic risk management means changing portfolio allocations to ensure our actual realised risk is controlled."

He further expounded on this advice by remarking that "What matters is your actual risk this quarter, next quarter, this year, next year; being practical, changing allocations to have realised risk that is within your tolerance as an investor."

Kim then gave delegates considerably greater detail in terms of estimating risk and determining portfolio allocations over the 2017-2018 period for Asian equities, supported by some excellent slides he had prepared for the Workshop. "There are many ways to implement dynamic risk management," he commented, "but the key is to have some sense of what risk is in the market, how much risk is right for you and then as the risk in the market changes, changing your allocation accordingly. It could be as simple as moving between equity and cash, or reallocating among a basket of stocks to favour less risky stocks, or redistributing among a broader set of asset classes to allocations that are less risky."

The result should be risk within the investor's tolerance level.

Alpha portfolios

He then moved on to alpha diversification based on equity factor exposures. Factor indices, he reported, have been identified by both academic research and practitioner experience as consistent sources of alpha over the long term.

"Well-researched factor alphas include growth, value, momentum," Kim elucidated, "and then more recently yield, low volatility, and quality. These are all characteristics that have been identified as sources of equity alpha over the long term."

He explained further that this approach has been institutionalised in developed markets, in the sense that major index providers such as MSCI, Dow Jones S&P, and FTSE all provide factor indices. "But interestingly," he reported, "the factor-based approach is still relatively new and not that well understood or widely used in Asia. I believe there is accordingly considerable opportunity for Asian investors to exploit this source of alpha." He then went into more detail on this topic, again armed with a variety of detailed, insightful slides and examples.

Cut risk, boost returns

"By conducting dynamic portfolio allocation in a disciplined systematic way, you should reduce risk when market risk increases," he summarised. "For global equities in particular, there is a strong negative correlation between risk and return. When risk goes up, returns tend to be weak, and vice versa."

"Given this negative correlation, this allocation process should actually improve portfolio performance," he added, "not just in managing overall risk, but also by improving returns. Adding the factor alpha overlay, which is also risk-based and provides countercyclical diversification, results in something that we're all looking for as investors: smoother realised portfolio risk, outperformance in weak markets and better returns." ■

A Review of The Leading Residence and Citizenship by Investment Programmes

Jonathan Tang, Director, and Qishi Fu, Senior Manager, of Henley & Partners, gave an excellent workshop presentation at the recent Asian Wealth Management Forum on the subject of Leading Residence Programmes in Asia, focussing particularly upon Hong Kong and Singapore, as well as Citizenship-by-Investment Programmes in Europe and Granada.

HENLEY & PARTNERS WAS FORMED MORE THAN twenty years ago and offers professional residency and citizenship advice to their clients. The company has also been involved in strategic consulting and the design, set-up and operation of the world's most successful residence and citizenship programmes, advising the governments of a number of countries, including Antigua, Barbuda, Malta and most recently Moldova.

"Many countries offer immigration programmes," Tang began, "However Henley & Partners hand-pick only the most attractive countries in terms of privacy, security and other important criteria." These countries include the UK, the US, Australia and Canada as well as Asian countries such as Hong Kong, Malaysia and Singapore, some countries in the Caribbean area and others in the EU zone.

Tang focussed particularly upon the Asian countries of Hong Kong and Singapore to highlight their residence programmes for the audience. "Hong Kong has a population of 7.4 million, an open economy and free market, low taxation and a liberal approach to immigration," he explained. "Before January 2015 there was a successful capital investment entrance scheme programme, and since then there have been other schemes for individuals to obtain a Hong Kong residence visa in order to work, live, or study there."

QISHI FU
Henley & Partners

JONATHAN TANG
Henley & Partners

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Points mean prizes for prospective residents

Tang went into considerable detail explaining the three options for those individuals to choose from, including the points-based Quality Migrant Admission Scheme (QMAS), the General Employment Policy (GEP) and the Investment as Entrepreneur Visa.

Firstly, Tang described the QMAS option, which comprises the general points test and the achievement-based test. Tang explained that the general points test is calculated according to six categories - age, academic or professional qualifications, work experience, language proficiency, favourable industry and family background. The achievement-based test examines the individual's awards, for example an Olympic Gold medal, a Nobel Prize and other national or international awards for contributions to their field of industry.

The second option is the GEP. Tang elucidated that the main requirements of the GEP are that the applicant has a good education background, there is a genuine job vacancy, the applicant has a confirmed offer of employment, their position could not be filled by the local work-force and the remuneration package is commensurate with the prevailing market level for professionals in Hong Kong.

The third option Tang clarified is the Investment as Entrepreneur. "An entrepreneur is not simply a prospective employee, so the first requirement is security clearance," Tang divulged. "They should have a good educational background and plenty of work experience including a start-up business in Hong Kong with a business plan and estimated financial data." After seven years, the individual may apply for Hong Kong permanent residence.

Further details of each option can be found in the very detailed and information presentation, 'Leading Residence and Citizenship by Investment Programs'

Singapore raises the bar

Tang then went on to discuss the Singapore Global Investor Programme (SGIP). "Singapore has a smaller population than Hong Kong, but is similar in most other respects," he elucidated. "For the SGIP, the individual must prove himself as an entrepreneur, showing a good track record for the last three years. The applicant must own at least 30% of their company, which must have a turnover of at least SGD50 million in one year, and an average of SGD15 million for the last three years."

The individual can then offer at least SGD2.5 million to set up or expand an existing business in Singapore, or choose the family office option, which requires a family-worth of at least SGD400 million to set up.

Tang then explained in great detail the requirements for gaining Singapore PR and re-entry permits, as well as potentially the passport and citizenship criteria.

Tang then handed over to his colleague Fu for an in-depth explanation of citizenship by investment programmes in other countries.

Fu, a Senior Manager at Henley & Partners in Hong Kong, began by explaining that a citizenship programme allows individuals to be granted citizenship of a

country without going through the intermediate residency processes.

"Currently in the world there are eight countries that have a standardised citizenship programme, five in the Caribbean, two in the EU and also Moldova," Fu explained. "I will cover only three programmes today, those in Malta, Moldova and Grenada."

Malta a spring-board to the EU

Malta is a country within the EU and with a population of approximately 400,000 residents. It joined the EU in 2004, and the Schengen area in 2007. Maltese citizens can travel to 182 countries without a visa including the US.

"Our firm was contracted by the Maltese government to design a citizenship programme," Fu explained, "and the Malta Individual Investment Programme (MIIP) was duly launched in 2014."

Fu then described the components of the financial requirements of the MIIP. They include a government donation of EUR650,000 for the main applicant, plus EUR25,000 for their spouse, EUR25,000 for each applicant under 18 years old. The applicant must buy a property in Malta at a value of more than EUR350,000 or rent a property at more than EUR16000 per year, and must invest in a national bond fund or purchase government bond of at least EUR150,000 and leave that money in for at least five years. And the applicants must hold private health insurance.

Bowled over by Moldova

Fu went on to outline the citizenship programme in Moldova. "The Moldova government contracted our firm to design a suitable programme for them which was launched in November 2018. Moldova is not currently in the EU, however citizens can fly to 121 countries without a visa and it is also a Commonwealth of Independent State country. Moldovan citizens can go to Russia, Ukraine and Belarus without a visa, which appeals to a different clientele."

The citizenship programme in Moldova has a faster timescale than in Malta, still with strict due diligence, Fu clarified that the donation requirement is EUR100,000, and EUR 15,000 for each additional family member. There is also a government agent fee of EUR35,000 per applicant."

The last country Fu focussed upon was Grenada in the East Caribbean, with a population of approximately 100,000. "Processing time for citizenship applications is relatively short," reported Fu. "Grenadian citizens can travel to 153 countries without a visa, including China.

Another significant feature is that Grenadian citizens are qualified to apply for the US E2 visa which is a non-immigrant visa. "With that status you are not automatically a US lawful permanent resident, thus not automatically a US tax resident," Fu explained.

Citizenship applicants have two options to choose from, either to contribute USD150,000 to the government for a single applicant or to buy a property worth at least USD350,000, and if the latter option is taken up there is also another USD50,000 fee payable to the government. ■

Transformational Wealth Management: How to Enhance your Impact and Delight Clients

Malik Sarwar, CEO of wealth management firm K2 Leaders and Chairman of Hubbis, has forthright and bold views on how professionals in the wealth management industry can enhance their levels of expertise, service quality and client-responsiveness to move their offering up several notches and thereby retain and expand their client relationships. He presented a detailed, insightful and interactive workshop at the Hubbis Asian Wealth Management Forum, outlining his concept of the five habits of effective advisers, advising delegates on how to become a differentiated adviser via continuous self-enhancement, expressing his views on engaging clients in challenging markets and offering ideas for simple solutions to discuss with clients today.

SARWAR BEGAN BY ASKING THE AUDIENCE what clients are truly asking for from wealth management experts today. Answers included trust, advice, service, information, relevance, transparency, convenience and performance. But Sarwar's answer, he reported, is encapsulated in one word that sums up what clients want most from their advisors and their firms, namely 'worth'.

"Worth," Sarwar explained, "means treat me with respect, demonstrate competence and help me achieve life goals - for me, my family and for the causes close to my heart. Client-centricity, understanding, transparency, integrity, quality, dedication, consistency, service - all these elements and more - are captured by the concept of 'worth'."

He added that from a client's perspective, the clients want to be made feel important. "It is all about the client," he stated, "not the advisor. Recognising the client's 'worth' as the keystone of the relationship will help the provider become the

MALIK S. SARWAR
K2 Leaders

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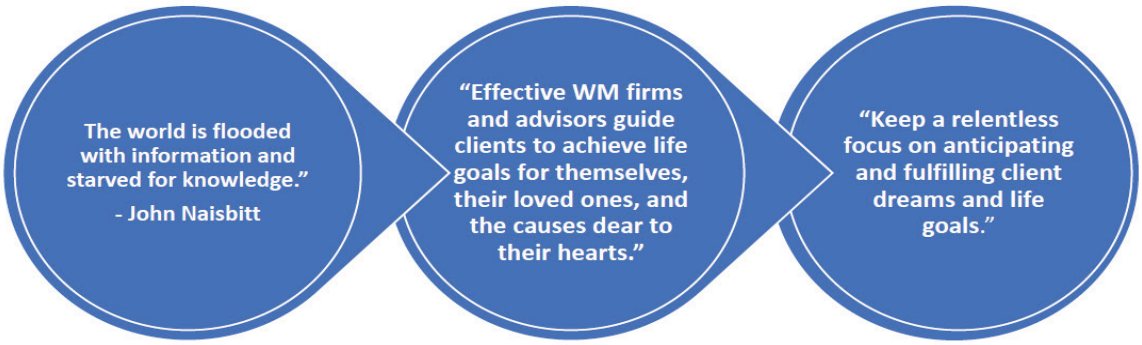
K2 Leaders



primary advisor. The mission is to become the primary advisor and to target clients by crafting value-added ideas and solutions which help them achieve their dreams and goals."

Sarwar then shared his vision by expounding what he calls the five key levers of wealth management business growth: (1) omnichannel, (2) acquiring, deepening and retaining clients, (3) delighting clients, (4) hunting for returns by following a planning-led process, and (5) empowering talent.

These levers go hand-in-hand with attributes vital to the success of primary advisors, which range from continuous self-enhancement to leveraging the power of colleagues. By cultivating these essential attributes and practices, the successful advisor can evolve into a primary advisor—the one whom the client calls first when they have a question, a problem, or there is a significant market event.

Omnichannel

Sarwar then went into considerable detail on each of these levers of growth. Omnichannel, he reported, is the touchpoint for a seamless client experience across all channels: digital, call centre, advisor and specialists.

Clients want and deserve to be served the way they want and not the way that is convenient for the bank. This necessitates a 24/7 omnichannel that they tap into at a time and place of their choosing. Clicks are winning over bricks, especially for millennials and the emerging affluent (those entering the HNW class through work or inheritance).

While digital is fast becoming the preferred mode of engagement by clients, it is during times of personal crises that the client needs a financial doctor, so the advisor must be ready and able to help the client navigate volatile financial markets. "One rule of human psychology from studies conducted in the US," Sarwar observed, "is that by adding a second person to a key client relationship, client loyalty to the organisation rises by 70%."

To incorporate an effective human component into the omnichannel, the firm in question must have qualified and inspiring advisors led by effective sales managers and strengthened by a team of seasoned specialists and service staff. Digital connectivity provides the most convenient tool for clients to access their portfolio information, market insights and goal-led ideas on protection, education, retirement and estate planning.

The primary advisor acts as a holistic wealth manager of the client's assets, liabilities and the legal architecture of how they are held and transferred. Further, the advisor must be a relentless risk manager of the client's finances and a private investment banker for bespoke opportunities (like PE deals in a growth sector in ASEAN).

Sarwar believes that an advisor's success in wealth management today requires absolute commitment and a dedication to knowledge—of self, of the client, of competition, of markets, of technologies and of the team. He also focussed on the importance of self-knowledge for the relationship manager who seeks to be a primary advisor. "Knowing your own style and adapting that to the client at the other end is really important. For instance, if somebody is analytical, give them data. If they are expressive, ask them about their day or their family before jumping into business. Know your

target market and secure your clients early on in your careers so that that they grow with you and you grow your business with them." Knowing your bank's true values and value-add to the clients (when compared with that of competitors) is crucial to the lasting success of the franchise.

The Best Habits of Leading Advisers

Sarwar then discussed what he sees as the best habits of primary advisors. "Above all, they practice continuous self-enhancement," he reported. "They prepare their work and diligently execute their plan. They keep the client updated on market views and trends, always linking back to the client's situation. They strive to anticipate their clients' needs and recommend appropriate solutions. And they mobilise a team of specialists, aiming to leverage the power of these colleagues to unlock client potential across generations."

To elucidate the ethical framework of the advisor's role, he used the acronym ICC: integrity, competence, and compassion. Sarwar maintained that integrity is all about doing the right thing for the client. Competence involves continuous knowledge-building—achieving new certifications, becoming more digitally-enabled, honing more effective communication skills and taking advantage of a variety of free resources, such as TED Talks, Khan Academy, and Open University courses.

Compassion entails understanding and being mindful of the client's life goals and mission, anticipating and reacting accordingly, employing good communication and leveraging information, data and artificial intelligence.

The most important imperative in ICC is to be there for your client when there is a significant market or client life event. The primary advisor anticipates what clients really want. They target key markets and demographics, helping clients rebalance and adjust during each market situation, be it up or down, and learning lessons from companies that know how to bring about genuine delight for their clients.

Delighting Clients: Acquire, Deepen and Retain

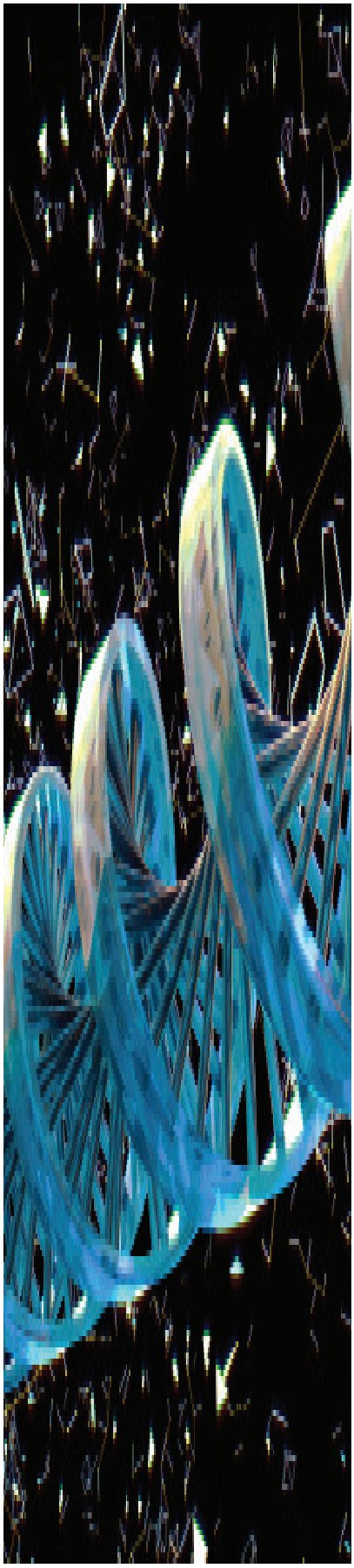
The ADR mantra always rings true: acquire, deepen and retain clients.

The best acquisition method is to ask for introductions from happy clients, ensuring that TPO is followed: time, place and the occasion for requesting an introduction.

No financial firm quite captures the imagination of Disney, Apple, Amazon or Ritz. Many global and regional banks are vying for a coveted brand position, but the winners will be those that delight their clients.

Sarwar then detailed his views on individual client relationships, stressing four essential categories: (a) intimate, (b) warm, (c) acquainted and (d) unknown. The 'intimate' category is composed of those clients with a valid risk profile who conduct transactions with their advisor on a regular basis. This usually follows the 80/20 rule wherein the closest 20% of clients generate 80% of the revenues. The 'warm,' 'acquainted' and 'unknown' categories must be carefully nurtured to ensure that the firm can acquire those potential 'gems' and transition them to the 'intimate' category.

Sarwar underscored the concept of a relationship-driven revenue stream, where



the primary advisor typically maintains over 50% of a client's assets, including financing, structuring, investments, banking, foreign exchange, and estate planning.

"Who," he asked, "does the client think of first when they have a need or something major happens in the market? The answer is the primary advisor, and it is they who generate two to four times more business than the secondary advisors."

Hunt for Returns, with a Planning-led Approach

There is an industry-wide fear of talking about products, lest this be construed as product-pushing. The client must see the benefit—and risk—of the product as part of solution fulfilment.

In a low-interest-rate environment, the hunt for returns is on. When Goldman Sachs Marcus offered higher rates on deposits to retail clients in the US, many HNW clients jumped on the bandwagon as well. Apparently, some senior executives of competitor banks were pushing their own less attractive offerings and putting their own money in Marcus deposits. These attractive returns must be discussed with conservative investors. Similarly, a high-dividend equity portfolio of blue-chip global stocks can earn a client an income along with potential capital gains in the long term. Structured products, PE and HF products, too, can offer significant returns for illiquid investments by sophisticated investors.

All of these are product solutions furnished after the client conducts a thorough financial planning review to determine their own risk profile and financial objectives.

Talent Empowerment

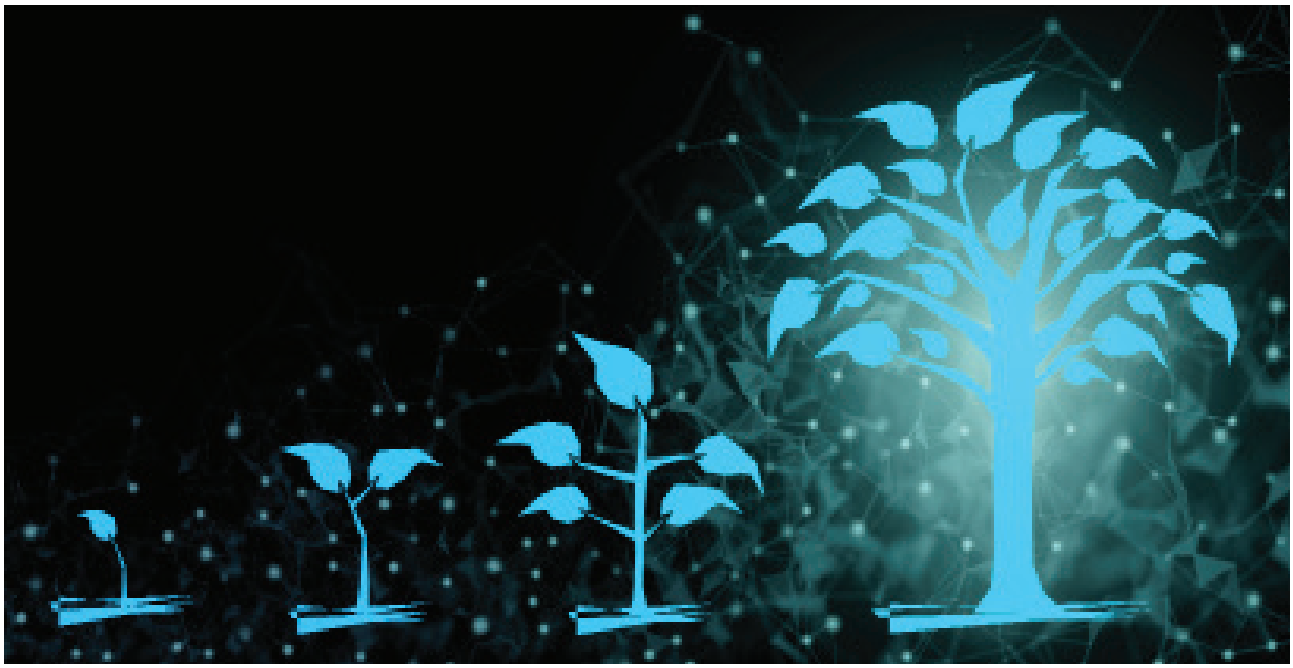
Treat your employees as key clients and they will take care of the bank's clients. Yet this is easier said than done.

For the frontline, the merry-go-round of hiring experienced advisors and losing them to the next ambitious or desperate bank has yielded no net benefit either to the firms or the clients. The only ones who have benefited are the bankers.

How does one break this vicious cycle of hiring, investing, losing, rehiring, etc.? One way is to match the success of the firm with that of senior advisors by making their compensation more long-term. The other way is to hire people with the right will and values, grooming them to become advisors. This is more sustainable if the firm has the patience to construct the hockey stick growth plan.

Sarwar closed his workshop with a brief interactive conversation with the audience on current investment opportunities and themes around the globe.

"The essence of this business is raising quality within your organisation and making clients happy," he said, "and that, ladies and gentlemen, will make wealth management great again." ■



Why disclosing climate risk is already an improvement?

Climate risk is now recognised as a significant risk to businesses and society as a whole, pressuring companies to report on how climate change affects their operations and financial performance. These more transparent disclosures benefit an investment community that is increasingly seeking transit to a low-carbon economy and expecting companies to report on climate-related risks with as much as rigorous methodologies and clarity as any other financial risk.

WE FIND THAT CLIMATE RISK AND FIRM PROFITABILITY are negatively correlated. The result is robust across the spectrum, in the US as well in Asia, for MSCI EM ETF Top 50 or Bottom 50 companies. Companies that rank high on climate risk also have the lowest profitability ratios such as P/E and P/B.

Introduction

In the latest CDP 2019 reports as reported from Bloomberg, water risk was citied to be very significant as it might disrupt production (ie. Coca Cola) of supply of material (semi-conductor industry).

Closer to home, take the Greater Bay Area (GBA) in Southern China, covering 11 cities, containing a population of 67millions, that is only 5% of total population, but producing 20% of China's GDP. In other words, it is an extremely densely populated region and the backbone of the Chinese economy. A double whammy given that the area is faces high Climate Risk mainly due to water scarcity, sea level rising and flooding's events. Put it differently, the climate risk related potential economic and social costs are extremely high!

According to the Geneva Association, the economic losses from flood disasters in Guangzhou, could reach USD 760 billion per year by 2050 if no additional investments in adaptation are made. June 2008 floods in Guangdong damaged more than 10,000 factories at an estimated cost of over RMB3.8 billion. In Shenzhen, it caused around RMB1.2 billion in economic losses. The costs are much higher if one accounts for supply disruption related risks in other industries and beyond China.

ENTELA BENZ-SALIASI
HKUST

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Meanwhile, company executives have barely paid even a minimum level of attention to the climate issues. According to a recent global survey, The Road Ahead: The KPMG Survey of Corporate Responsibility Reporting 2017, 72% of large and mid-cap companies do not acknowledge the financial risk of climate change in their annual financial reports. And of the minority that acknowledges such risk, only 4% provide some data on the business value-at-risk. The ones that report the data are typically companies from countries where such disclosure is either mandatory or encouraged by government, regulators or stock exchanges.

Academic research on the impact of climate risk is minimal, mainly due to a lack of market focus associated with misperception of climate risk as a long-term risk. This is because, climate risks while well understood by environmental engineers, are an unchartered, and unknown field for industry practitioners and business leaders. The two camps do not speak the same language. Hence a cross collaborations and data analysis, will bring focus, transparency and clear understanding of climate related risk. In reality, these risks span from short- to mid- to the long-term horizon. Hence, there is an urgency to educate the market, companies andinvestors, that these risks will hit them faster than expected. As such, the need for proper analysis and business adaptation to climate change is pressing. Studies published in 2016 and 2014 strongly emphasise that both physical risk and transition risk have a transparent material impact at the company level. A 2018 study by Schroders Investment Management estimates that companies would have to spend at least 4% of their market value to ensure their asset against physical climate risks. In 2017, the Task Force on Climate-Related Financial Disclosure released reports and called for better climate risk reporting, climate risk management and stress-test scenarios.

Defining Climate Risk

Climate risk has, in general, four components. The first is the physical risk of being exposed to extreme weather events as well as climate change. The second is the transition risk related to regulatory changes to mitigate climate change. The third is the technological advancement of renewables and energy efficiency increasing the risk to existing industries relying on fossil fuels. The final risk is the social risk due to changes in consumer trends and behavior.

The level of transitional risk is based on a score developed by the nonprofit CDP - formerly known as the Carbon Disclosure Project - that is an indicator of a company's performance addressing climate, and more specifically environmental issues.

The score highlights a company's progress towards leadership using a four-step approach:

1. Disclosure (D-level): The completeness of the company's response to the CDP questionnaire;
2. Awareness (C-level): The extent to which the company has assessed climate issues, risks and impacts about its business;
3. Management (B-level): To what level has the company implemented actions, policies and strategies to address climate issues; and
4. Leadership (A-level): The steps a company has taken which represent best practice in the field of climate management.

Larger transition risk could incur if the disclosure and regulation framework is not strong enough, meaning a higher CDP score indicates a lower transition risk.

Climate Risk Disclosure in Emerging Markets

Given that climate risk is a new topic in the market and the difficulty associated with it, it is normal to expect a low level of awareness and therefore low disclosure not just in Asia, but developed as well developing countries. We analysed:

1. Companies that sit on the Top 50 and Bottom 50 MSCI Emerging Market ETF Index as of June 2018.
2. 136 US public companies that are among the top global 500 companies which have responded to the CDP questionnaire in 2013.

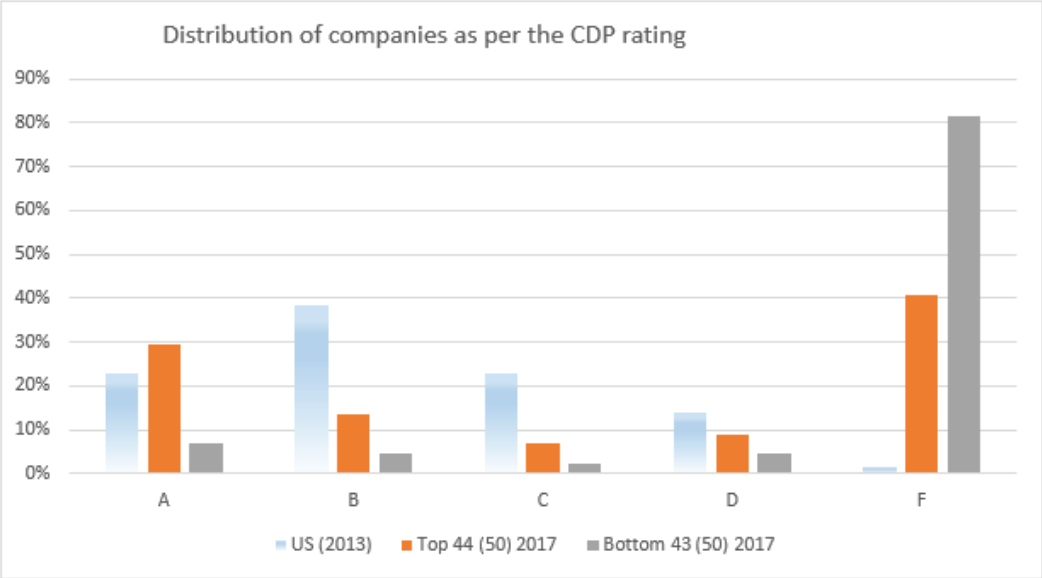
While the US data of 2013 are not directly compatible with the 2017 MSCI data, the year mismatch helps in analysing the level and the speed of climate awareness, climate adaptation and climate-related disclosure of emerging countries and Asia in particular versus the US.

Among the Top 50 companies in the MSCI EM ETF Index, only 44 companies responded to the CDP questionnaire. Among the Bottom 50 MSCI EM ETF companies, only 43 companies responded.

Our next point of interest is to investigate the extent to which the emerging market companies are addressing climate risks. The CDP coding stands for A-Leadership, B- Management, C-Awareness, D- Disclosure and F-failure on climate-related risks. The desired result would be to have more companies rated at A-level and only a few at D or F-level.

The results are striking. Most of the emerging market companies are at the F-level, meaning failure to disclose enough information on climate risk. That is due to either lack of understanding or lack of awareness of climate risk, or a combination of the two. Second, companies seating at the MSCI EM ETF Bottom 50, have a deficient climate disclosure relative to the MSCI EM ETF Top 50 companies. In 2018, 81% of the Bottom 50 fail to disclose sufficient information relative to only 40% for the Top 50 companies and 2% for US companies. Even after a gap of 5 years, Asian companies (part of the MSCI EM ETF Index) and respective leaders in their countries are far behind in acknowledging and measuring climate risk.

With the growing importance of the topic, we expect more companies to populate the A, B and C -level areas. As climate risk becomes more evident, immediate and more accessible to translate into numbers, governments



will introduce more stringent regulations to cope with the transition from high to low carbon economies, business-as-usual is no longer viable for companies. As we have shown in our analysis, only a handful of companies among the already top performing ones, measure, disclose or are aware of climate risks.

Climate risk and company performance

We find that climate risk and firm profitability are negatively correlated. The result is robust across the spectrum, in the US as well in Asia, for MSCI EM ETF Top 50 or Bottom 50 companies. Companies that rank high on climate risk also have the lowest profitability ratios such as P/E and P/B.

Without getting lost into the causality, it is essential for investors to recognise that low P/E companies face higher climate risk, a significant risk largely ignored and unpriced. These risks are not short-term. Hence low P/E does not imply an underpriced company, but a persistent abnormality that it most likely becoming even more pronounced.

To test the hypothesis of how climate risk relates to company financial performance we use climate disclosure data to model climate risk. We refer again to the Top 50/Bottom 50 MSCI EM ETF companies and US companies. However, our sample size shrinks further from 87 (43+44 companies) to 67 companies, as these are the only ones that have responded to CDP and have the needed climate disclosure data on Bloomberg.

Our analysis indicates that climate risk and firm profitability measure via price-to-earnings or price-to-book ratio are negatively correlated. The results are robust across the spectrum, in the United States, Emerging Markets and slightly weaker in Asia. Companies that rank high on climate risk have also the lowest profitability ratios. We believe that the weak relationship for Asian companies indicates that climate risk is not acknowledged yet, or at least not to the extent that it is in other regions.

The results are even more concerning when comparing top versus bottom companies. The correlation between climate risk and financial ratios, is three times stronger for Bottom 50 companies (ranging from -0.1 to -0.35 for P/E ratio and climate risk relationship). This highlights the climate risk for companies with low profitability who also fail to disclose any climate risk data due to either lack of awareness of climate risk, or dismissal as not relevant.

It is therefore essential for investors to recognise that Asian companies P/E face strong downward pressure as investors start pricing climate risk, a significant risk largely ignored and unpriced, especially in Asia where the correlation are the weakest. These risks are neither short-term, nor a one-off as extreme events are becoming the new normal due to increasing frequencies. For example, a company with relatively lower than normal profitability P/E ratio and low climate disclosure (hence high climate risk), it is no longer be a candidate for value investing, but rather a sell subject as investors start pricing in climate risks.

It is therefore in the company's unique advantage, and not just the regulators, to increase the data transparency on climate data, as well as to report on operational and business strategies on how to mitigate these risks and capture opportunities. From the investors prospective, they need to equip themselves with knowledge on climate risks, their impact, and their relevance per sector and region. In doing so, the market will enjoy a more efficient investment allocation while speeding up the transition toward a low-carbon economy. ■

Speakers

Entela Benz-Saliasi
HKUST

Malik S. Sarwar
K2 Leaders

Damien Piper
Finantix

David Varley
Sun Life Financial

Qishi Fu
Henley & Partners

Nick Pollard
CFA Institute

Anna Wong
Hong Kong University

Vincent Magnenat
Lombard Odier

Patrick Donaldson
Refinitiv

Sebastien Chaker
UBS Global Asset Management

Kees Stoute
EFG Private Bank

Silvio Struebi
Simon-Kucher & Partners

Jean-Louis Nakamura
Lombard Odier

Aman Dhingra
UBP

Tariq Dennison
GFM Asset Management

Jean-Louis Nakamura
Lombard Odier

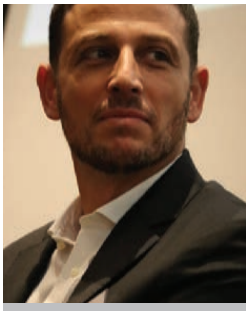
Aman Dhingra
UBP

Patrick Donaldson
Refinitiv

Sebastien Chaker
UBS Global Asset Management

Alison Brown
HSBC Global Asset Management

Tariq Dennison
GFM Asset Management



Joshua Rotbart
J. Rotbart & Co.

Tobias Bland
Enhanced Investment Products

Harold Kim
Neo Risk Investment Advisors

Jennifer Lai
Henley & Partners

Angel Wu
Bank of Singapore

Thorsten Becker
J O Hambro Capital Management

Steven Cohen
CBM Investment Management

Sally Ryder
Ryder Diamonds

Evrard Bordier
Bordier & Cie

Arjan de Boer
Indosuez Wealth Management

Marcus Hinkley
Hawksford

Christiaan de Bruyn
Trident Trust

Federico Vasoli
FinanceMalta

Agnes Shea
Leonteq Securities

Yiannos Trisokkas
Casamont Cyprus

Jonathan Tang
Henley & Partners

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You should read the prospectus of the XIE Shares ETF/XIE Shares Product for further details, including their features and risks. Your investment decisions should not be based solely on this document.

XIE Shares

Stock Code: 3161.HK
XIE Shares FTSE Chimerica ETF

Stock Code: 3116.HK
XIE Shares FTSE Gold Miners ETF

Stock Code: 7210.HK
XIE Shares Chimerica FTSE N Share Daily (2x) Leveraged Product*
*(*This is a synthetic product)*

CHIMERICA ETF

FTSE Gold Miners ETF

CHIMERICA LEVERAGED PRODUCT

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Telephone: 852-2110 8600 | Fax: 852-21198089 | info@xieshares.com | www.xieshares.com

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Key voting poll results

The Hubbis Asian Wealth Management Forum 2019event in Hong Kong on February 26th provided fascinating and thought-provoking discussions and talks for the assembled delegates. As usual we also polled the attendees and mined out the following nuggets.

- A massive 85% of the audience do not believe that banks are prepared and ready to take advantage of the intergenerational transfer in wealth
- Bankers are NOT ethical today than they were ten years ago according to 75% of our attendees
- 60% of the audience believe that relationship managers are more important today
- Half of the attendees believe that the quality of service and the client experience in wealth management in Hong Kong has improved in the last 10 years
- 55% of attendees would like to see the regulators in Hong Kong ban front end fees
- Nick Pollard, CFA Institute said on the day that that only 7 percent of clients in Hong Kong trust that their wealth manager acts in their best interests - and only 40% of our audience were surprised at this statement
- 50% believe that the penetration of DPM is increasing
- 90% of our audience clearly see that the role of AI and Technology is getting greater
- Clients much more interested in ESG today according to 65% of the audience
- Half the audience believe that Asian equity markets will go up 20% in 2019
- What's most interesting this year?

  47% say Private equity

  29% say Hedge funds

  12% say property

  12% say Infrastructure

  67% of the audience believe their clients will buy more ETFs in 2019

Important information:

- The Fund may invest in equities, bonds and other asset classes such as hedge fund, absolute return strategy, private equity and real estate sectors, and may suffer substantial loss in such investments.
- Non-investment grade bonds and unrated bonds are subject to additional risks and volatility. The Fund is also subject to the risk of investing in emerging markets.
- The Fund may invest in financial derivative instruments for investment purpose which may lead to higher volatility to its net asset value.
- The Fund may invest in other funds and need to bear the underlying funds' fees and expenses on top of the Fund's own fees and expenses.
- Because the Fund's base currency, investments and classes may be denominated in different currencies, investors may be affected adversely by exchange controls and exchange rate fluctuations. There is no guarantee that the currency hedging strategy applied to the relevant classes will achieve its desired result.
- The Fund may pay dividends out of capital or gross of expenses. Dividend is not guaranteed and may result in capital erosion and reduction in net asset value.
- The Fund's investments may involve substantial credit, currency, volatility, liquidity, interest rate, tax and political risks. Investors may suffer substantial loss of their investments in the Fund.

1. The full name is HSBC Portfolios - World Selection 1, 2, 3, 4, 5. Consisting of 5 separate portfolios, each portfolio invests independently to achieve its set objectives.
2. Only applicable to Class AM. Dividend is not guaranteed and may be paid out of capital which will result in capital erosion and reduction in net asset value.
3. Thomson Reuters Lipper Fund Awards 2018 - Hong Kong, World Selection 3 (AC) awarded with Mixed Asset USD Bal Global – 5 years. Based on calendar year performance in 2017.
4. Benchmark Fund of the Year Awards 2018 Hong Kong, Word Selection 2 (AC) awarded with Outstanding Achiever – Mixed Assets Conservative Allocation; Word Selection 5 (AC) awarded with Best in Class – Mixed Assets Aggressive Allocation. Based on the performance as of 31 August 2018.
5. Benchmark Fund of the Year Awards 2017 Hong Kong, Word Selection 1 (AC) awarded with Best in Class – Cautious Allocation; Word Selection 5 (AC) awarded with Best in Class – Aggressive Allocation. Based on the performance as of 31 August 2017.

Source: HSBC Global Asset Management, as of 31 December 2018, NAV to NAV in USD with dividend reinvested. Calendar year performance of **HSBC World Selection 1:** -3.6% (2018); 6.5% (2017); 4.4% (2016); -1.4% (2015); 5.7% (2014); 1.8% (2013). **HSBC World Selection 2:** -5.2% (2018); 8.8% (2017); 5.7% (2016); -1.7% (2015); 5.2% (2014); 4.8% (2013). **HSBC World Selection 3:** -8.1% (2018); 13.7% (2017); 6.5% (2016); -2.8% (2015); 4.0% (2014); 9.2% (2013). **HSBC World Selection 5:** -10.8% (2018); 19.9% (2017); 5.9% (2016); -4.2% (2015); 2.7% (2014); 17.5% (2013).

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Key survey results -

We are delighted to report that our delegates at the Asian Wealth Management Forum were diligent in their replies to our post event survey and we offer a brief snapshot of some of the key findings here.

In brief, the audience evidently found the event comprehensive, interesting, informative and thought-provoking. We extend our sincere thanks to the delegates and all our speakers for making this year's event both dynamic and rewarding.

What were your top takeaways from the Forum?
What did you enjoy most from the talks and panel discussions?

Leaders view on investment in 2019
Our delegates appreciated the investments panel, with our speakers sharing practical ideas on distribution, advice and products. One delegate commented that they left with a "better understanding of products and services".

Educate your client
Know your client, understand your client, educate your client, fulfil the needs and expectations of your client. If you can do this, then you are on track to become trusted adviser to your clients.

ESG Investing
Our attendees were delighted that this hot topic was added to the agenda this year, with the concepts well presented.

Advice from speakers and presenters duly noted

Many delegates remarked on the quality of insights and advice from the highly experienced speakers and presenters who kindly participated in our panels, presentations and Workshops. Of special note was advice on how to equip with updated technology, market information and data and professional standards.

Panels covered highly topical subjects

Many delegates were energised by the lively debate during the panel discussions, and appreciative of the insights from highly-experienced practitioners who brought their real-life wealth management experience to the table and genuinely shared their insights with a seeming intention to educate, inform and advise. The topics of discussion that were highlighted were the value proposition in wealth management in Hong Kong, changes in wealth management during the last ten years, and intergenerational wealth transfer.

Presentations were relevant and provided great insight

The breadth of topics covered in the presentations helped the delegates better appreciate a range of concepts and opportunities, ranging from insurance solutions to the Malta and Cyprus investment programmes, to discussions and data on ethics and how the HNW Insurance Market has changed.

And...a Handful of Testimonials from the Delegates

Asian Wealth Management Forum 2019 - Hong Kong Testimonials

At the Hubbis Asian Wealth Management Forum 2019 in Hong Kong on February 26th, we asked leading industry participants what they thought about our event today.

We hope you enjoy these Testimonials.
You can click on the speakers Name to view their BIO.
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Who did we ask?

Agnes Shea
Co-Head Private Banking Sales Asia
Leonteq Securities
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Alison Brown
Director & Head of Sales,
Wholesale Business
Hong Kong and China
HSBC Global Asset Management
Watch Video

Aman Dhingra
Managing Director,
Head of Advisory - Singapore
UBP
Watch Video

Anna Wong
Professor of Practice in Finance
Hong Kong University
Watch Video

Arjan de Boer
Deputy Chief Executive,
Head of MIS, Asia Market,
Investments & Structuring
Indosuez Wealth Management
Watch Video

Damien Piper
Regional Director, Asia
Finantix
Watch Video

Dr Silvio Struebi
Partner
Simon-Kucher & Partners
Watch Video

Evrard Bordier
CEO and Managing Partner
Bordier & Cie
Watch Video

Federico Vasoli
Director, dMTV Europe,
Member of FinanceMalta
FinanceMalta
Watch Video

Jean-Louis Nakamura
Chief Investment Officer,
Asia Pacific, Chief Executive
Officer, Hong Kong
Lombard Odier
Watch Video

Kees Stoute
CEO, North Asia
EFG Private Bank
Watch Video

Malik Sarwar
CEO
K2 Leaders
Watch Video

Markus Grossmann
Managing Director
Trident Trust
Watch Video

Michael Levin
Head of Asset Management,
Asia Pacific, Credit Suisse Asset
Management
Watch Video

Michel van Leeuwen
Group Chief Executive Officer
Hawksford
Watch Video

Nick Pollard
Managing Director, Asia Pacific
CFA Institute
Watch Video

Patrick Donaldson
Head of Market Development,
Wealth Management,
Asia Pacific & Japan
Refinitiv
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Simon Godfrey
Senior Vice President, Head of
Products
EFG Private Bank
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Tariq Dennison
Free-only Investment Advisor
GFM Asset Management
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Vincent Magnenat
Chief Executive Officer
of Asia Pacific
Lombard Odier
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Yiannos Trisokkas
Managing Partner
Casamont Cyprus
Watch Video

Agnes Shea
Co-Head Private Banking Sales Asia
Leonteq Securities
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Definitely more conversations about AI, using technology, using digital platform to provide whether it's the RM, the frontline with support, so that they can deliver better material to their end client, or just to educate the end clients directly so that they can make informed choices. I think that's something that's been a gradual trend, and I'm very excited about it.

Alison Brown
Director & Head of Sales, Wholesale Business Hong Kong and China
HSBC Global Asset Management
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Hubbis put on another very good show.

Aman Dhingra
Managing Director, Head of Advisory - Singapore
UBP
Watch Video

I think it was a well-organized event. It seems to be getting larger every time I come. The crowd seems to be increasing.

Anna Wong
Professor of Practice in Finance
Hong Kong University
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Well, I think this is a great event. Congratulations to Hubbis. You bring together a very good group of industry practitioners, senior practitioners, and in that one hour that we are on the stage, I think the questions from our facilitator was excellent, and the audience response was just great.

If I look at the online instant comments on the questions, I think I see all of them are participating and very much interested in what we're talking.

Arjan de Boer
Deputy Chief Executive, Head of MIS, Asia Market, Investments & Structuring
Indosuez Wealth Management
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A very good turnout. It's always good, but today seems to be even better.

Damien Piper
Regional Director, Asia
Finantix
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First, great turnout and obviously a great place to have it at, and very interesting content that I've heard from all the previous speakers. Quite pragmatic and practical.

Dr Silvio Struebi
Partner
Simon-Kucher & Partners
Watch Video

It was a really good mix. Different people, the story line was nice, and well, I have met very, very interesting people and industry experts over here.

Evrard Bordier
CEO and Managing Partner
Bordier & Cie
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It's an amazing set of people that are coming. Incredible speakers. I think Hubbis conferences are very much worthwhile.

Federico Vasoli
Director, dMTV Europe, Member of FinanceMalta
FinanceMalta
Watch Video

It was a great event. I learned a lot. There were fabulous speakers. I liked the panel discussions. I think that the topics were very much to the point, and Hubbis was great in organizing of this. There were very approachable, very amicable, very nice.

Jean-Louis Nakamura
Chief Investment Officer, Asia Pacific, Chief Executive Officer, Hong Kong
Lombard Odier
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As usual a great event, many people, many motivated people, a lot of question, interaction through the polls, so it's always exciting to be here.

Kees Stoute
Chief Executive Officer, North Asia
EFG Private Bank
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Very enjoyable time, and I think Hubbis is doing fantastic in terms of networking. Hubbis knows the industry, and Hubbis has asked the right questions, put the fingers in the right place, so I'm a big fan of the Hubbis conferences.

Malik Sarwar
CEO
K2 Leaders
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I attended the session exactly a year ago, and the difference is the diversity of the audience, it is considerably higher. The challenging questions and different views on markets, on products, on business models, and client caring rather diverse.
There's no right or wrong answer, but it challenges your assumptions, forces you to think anew, and I think the large audience of 250 plus people who showed up probably benefited a lot from the differing challenging views we debated.

Markus Grossmann
Managing Director
Trident Trust
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Very diverse, interesting attendees from different types of companies, and a really broad spectrum of the industry. Speakers very interesting, short and concise presentations. I enjoyed it a lot.

Michael Levin
Head of Asset Management, Asia Pacific
Credit Suisse Asset Management
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I think it's a fascinating event. In addition to the quality of the challenge, there was no consensus thinking, people challenged each other, they brought different perspectives, and they ended up with a really healthy dialog, and dynamic, that I think a lot of value is derived from coming, and enjoying the conference here, and hearing from different people from different perspectives.

Michel van Leeuwen
Group Chief Executive Officer
Hawksford
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It was well received by the attendees. I think the people that are assembled here are exactly the right people. I would praise the organizers for hosting a wonderful event that doesn't feel like there's too many sellers, and it also doesn't feel like there's too many buyers. It's well balanced.

Nick Pollard
Managing Director, Asia Pacific
CFA Institute
Watch Video

Great to be back at another Hubbis event, which has become the staple of wealth

now in the Asia Pacific. This has always delivered well, and a great audience here again with some great questions.

Patrick Donaldson
Head of Market Development, Wealth Management, Asia Pacific & Japan
Refinitiv
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The event has been well attended. It was a good turnout when there was a topic that is, I think of interest to the audience. There's been a couple of times when the presentations have been a little bit more of a sales pitch, and there's been a bit of a clear out to be honest in the room.
The fact that there are so many people here I think demonstrates the fact that the industry is looking for help, looking for answers, looking for ideas and people getting together like this gives them the chance to do exactly that. Swap ideas and look for new technology.

Simon Godfrey
Senior Vice President, Head of Products
EFG Private Bank
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There's a lot of people here, and there's a lot of people from companies I've never heard of, which I think is a great thing, because what it shows is a love of diversity in this industry. It's not just about the big players and the big brands, but there's a real ecosystem around it, and there's a lot of growth. I hope to benefit and take part in that for many years ahead.

Tariq Dennison
Free-only Investment Advisor
GFM Asset Management
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You've done a great job filling the audience. I hardly saw an empty seat when we were up there on the panel. So, congratulations on another good one there. I, of course, will be a little picky at Malik for skipping me and going over and making me speak last. But I'll take that as a compliment that he saved the best for last. And I certainly look forward to seeing some of the events later if I can.

Vincent Magnenat
CEO of Asia Pacific
Lombard Odier
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I think Hubbis event is always a great opportunity to meet the industry, to meet what we can say competitors but more importantly, peers and friends in the industry, and share what we are seeing in this market. Sharing opportunities, challenges, and always in a very good atmosphere, and friendly atmosphere, a safe atmosphere.

Yiannos Trisokkas
Managing Partner
Casamont Cyprus
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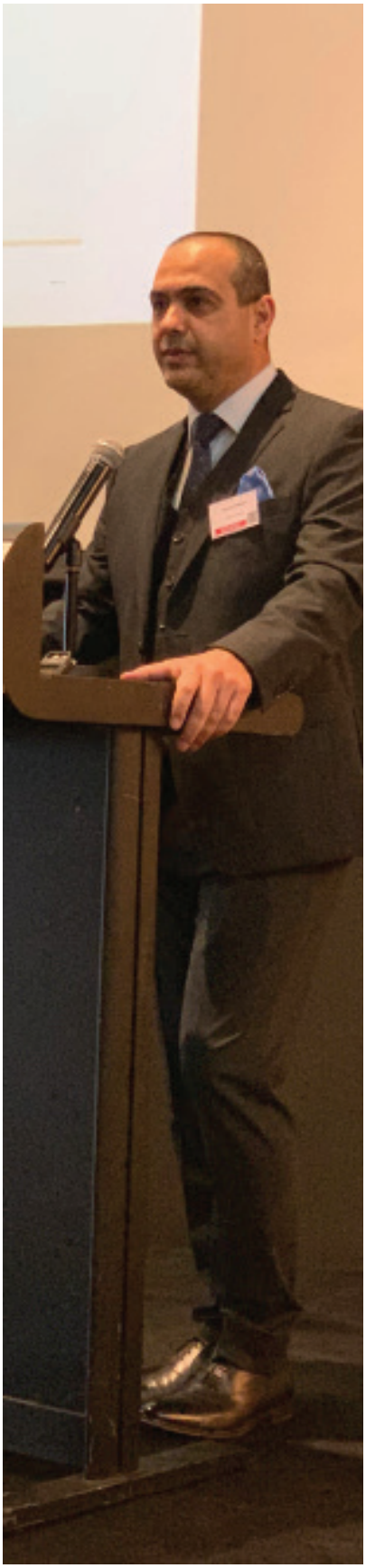
The observation of today's event is that these service providers that attended this event, they were really very careful listening to what was presented, providing solutions to their clients that will facilitate their well-being in the world, and providing solutions for them and their families. It was a great event with great people attending.



Testimonials from the audience

"It was a great pleasure to join the Asian Wealth Management Forum hosted by Hubbis on 26 February 2019. The industry leaders and professionals took time out from their tight schedule to share their experiences, challenges and outlook for wealth and asset management. It was really an inspiring day to get to understand more about the new techniques, to hear speakers' interesting viewpoint and to keep up-to-date with best practices. In the meantime, the Forum also provided a good networking opportunity for young talents to meet with the leaders from world's leading financial institutions, especially for those who are passionate about the wealth and asset management and eager to have an in-depth understanding of different topics and market trends as well."

"Very informative Conference with clear presentation materials."

Asian Wealth Management Forum 2020 - Hong Kong

Tuesday 25th February, 2020