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# Independent Wealth Management in Asia

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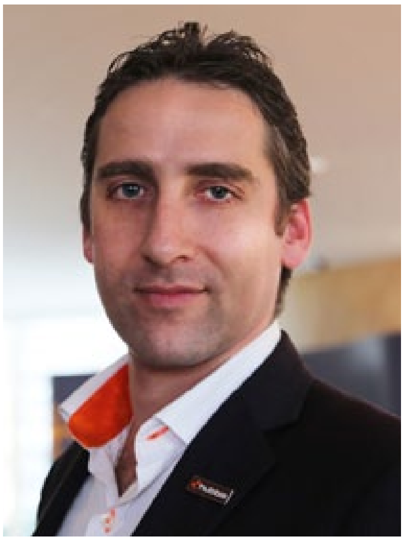


# Foreword

***This is the 4th edition of our flagship publication for the independent wealth management community in Asia.***

The number of independent firms of varying types and business models in the region is still relatively small.

But the need to service the business and personal investment aspirations of families – both inside and outside of Asia – is also gradually creating some more interest in developing the right approach to advising these clients.

Despite the potential for independent firms to be more successful in this region, and grow in size and number – they face various challenges.

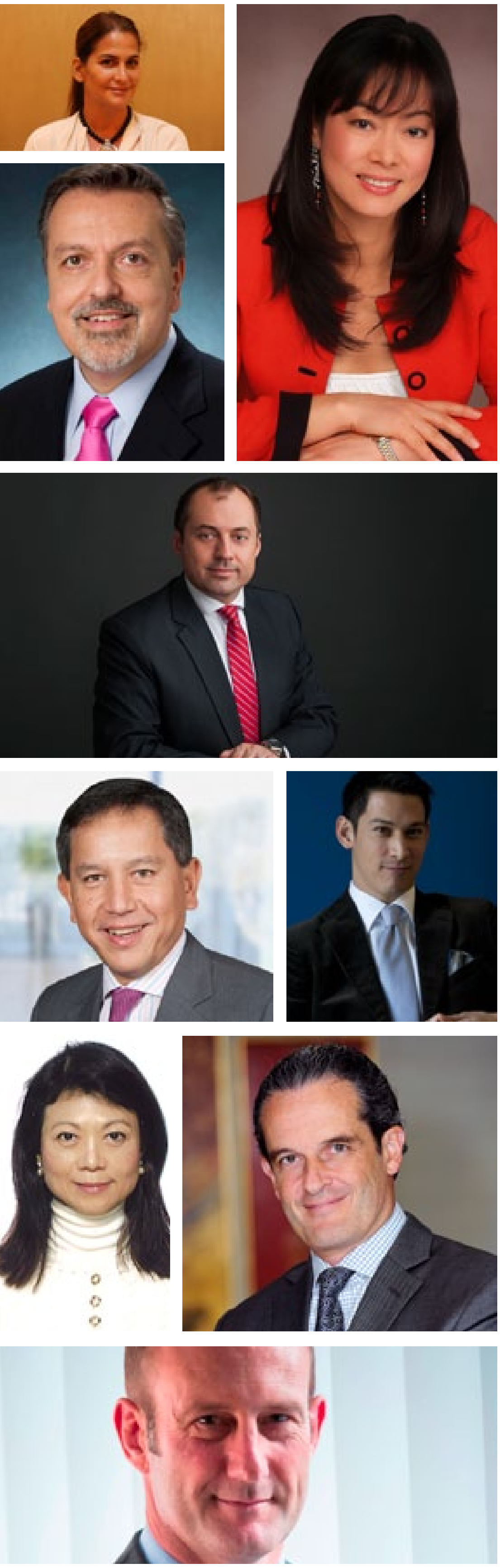
These include: clear definitions of each type of organisation; clarity over fee models; attracting advisers with the right mind-sets from private banks and other relevant firms to grow their businesses; creating appealing investment prospects for Asian families; and dealing with their ever-growing compliance and regulatory burden.

Against this backdrop, this year's publication aims to explore the latest thinking among leaders within this segment of Asian wealth management – about the reality of the opportunity for independent wealth management – both via investment strategies and trends, as well as doing business profitably and sustainably in the region.

The content also reveals what some key players are doing to differentiate their products and services.

I hope you enjoy reading this publication and derive value from it. Thank you to everyone who participated in the content and supported it as a partner. Please do send me your feedback, at editor@hubbis.com.

**ANDREW CROOKE**
EDITORIAL AND CONTENT DIRECTOR
HUBBIS

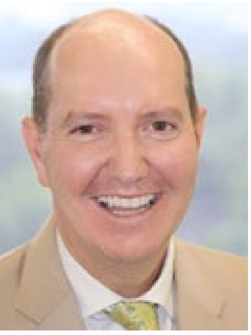


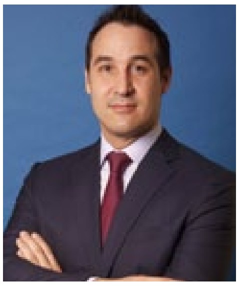
## Feature Articles



## Expert Insights






## Firm Profiles



## Directory

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**10% to 20%**

*The percentage of AUM in Asia which will be with IAMs in three years' time – according to 46% of practitioners when polled at a Hubbis forum.*

Page 2

**85%**

*The proportion of his business that Urs Brutsch estimates Asia-domiciled clients will account for as HP Wealth Management grows.*

Page 12

**4**

*The number of segments of business partners that Credit Suisse's Asian business is focused on.*

Page 26

**65%**

*Roughly the number of respondents who chose DPM from a sentiment poll of the types of investment opportunity most sought after by clients of IAMs.*

Page 30

**US$1b**

*After launching the business in February 2014, the AUM across Asia that UCAP Asset Management surpassed as of April 2015.*

Page 36

**US$10m to US$20m**

*The minimum amount that start-up fund managers need to raise.*

Page 40

Swiss bankers since 1873

# Cooperation. Dedication. Passion.

**Mr Oliver Balmelli**
Head of International Private Banking & External Asset Managers
BSI Bank Singapore

The cooperation between BSI and our business partners create strong synergies, and is built on the solid cornerstones of efficiency, flexibility and integrity. Because each External Asset Manager (EAM) is different, it is very important to us that we provide you with highly personalised service that is adapted to your specific operating model. To do this, our attention is on the quality of our service and our capability to find the most suitable and effective solution for you.

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- Investment Specialists
- Financial Planning Advisors
- Corporate Finance Consultants
- Credit Consultants
- Various specialists in specific fields

The EAM can take advantage of our wide range of services in client portfolio management and wealth management. Furthermore, we are fully aware of how administrative and compliance obligations can hamper operations and we offer help in dealing with these issues to simplify your work as much as possible.

Our main objective is to ensure that our EAM partners have all the necessary resources available to provide your clients with excellent service.

BSI was established as Banca della Svizzera Italiana in Lugano, Switzerland in 1873. BSI is now one of the largest Swiss private banks with over CHF 91 billion of assets under management and 2,000 employees globally. We draw upon that long history to provide wealth management services to private and institutional clients around the globe; our EAM business has been an important part of our long heritage. Our people understand the diversity of Asia. They distinguish us by providing services based on personalised attention and the individual needs of our clients throughout the region.

BSI | EAM

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# Independent firms aim to gain from private banking woes

*In believing their model represents the future, Asia's relatively small but experienced group of independent asset managers (IAMs) hopes to gain more traction with wealthy clients as private banks struggle amid the compliance burden and thinner margins.*

Independent asset management companies (IAMs) are confident they can attract more assets from Asia's wealthy as they become more knowledgeable and accepting of fee-based advice.

At the same time, with private banks grappling with mounting cost burdens and more complex operating environments, some of the pioneers of the community in the region believe they are well-placed to provide an effective advisory alternative.

**"The onus is on the IAMs to demonstrate their worth, which will force more end-clients as well as private banks to take them more seriously"**

**ANTHONIA HUI**
AL Wealth Partners

According to several high-profile leaders of IAMs, a significant stumbling block to the faster and broader growth of independent wealth management continues to be private bankers who are somewhat resistant to this model.

"The main problem is because of relationship managers (RMs) in banks, who think we are not right for their clients," says Urs Brutsch, managing partner and founder of HP Wealth Management.

This is regardless of whether the clients themselves might understand or be open to further exploring the value proposition of independent advice.

"The clients understand what we represent if we explain it to them, but unless the private banker has a vested interest in moving up the bank and eventually becoming independent, they are unlikely to move out of their comfort zone to offer the best possible advice [by involving IAMs]," explains Steve Knabl, managing partner of Swiss Asia.

This often comes down to a lack of confidence among private bankers.

Philipp Piaz, a partner at Finaport, says some of them lack the entrepreneurial

**"In our view a simple annual management fee based as a percentage of AUM is the preferred fee model"**

**JON DINGLEY**
TTG

As a result, the onus remains on the IAMs to demonstrate their worth, which will force more end-clients as well as private banks to take them more seriously, says Anthonia Hui, chief executive officer of AL Wealth Partners.

Yet the industry also faces challenges from within. For instance, not all independent advice does justice to the type of approach and service that IAMs like Hui's firm strive to deliver. "It's important that we drive the fee-for-advice model," she says. "A lot of IAMs act like

mind-set required to make the move to an IAM. "Most private bankers still feel it's safer to stay with the bank, and [that it's] risky to go independent."

In his opinion, that is the wrong type of risk assessment.

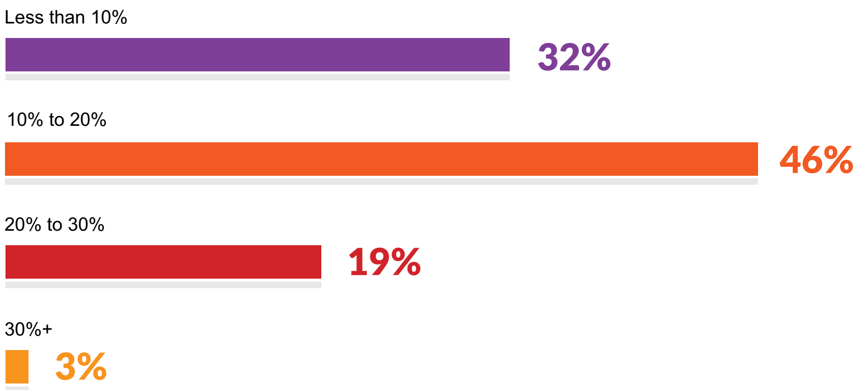
"[Working on the outside], you are not alone but with a team," says Piaz. "And you have an impact, influence and support, which is not always the case with a big bank, where you are popular as long as you deliver numbers. But you rarely get support on a personal level."

## ADDRESSING CONCERNS

For some banks, the blockage in terms of developing closer ties with IAMs stems from a more fundamental business concern about revenue.

Anecdotally, for example, one head of a private bank in Singapore told an IAM that their organisation doesn't like to share revenues because margins are dwindling. Plus, there is a fear over the perceived lack of control over assets as well as the conversations that might take place between an IAM and the client directly.

**WHAT % OF AUM IN ASIA WILL BE WITH INDEPENDENT FIRMS IN 3 YEARS' TIME?**




Source: Hubbis - Independent Wealth Management Forum 2015, Singapore

**"The clients understand what we represent if we explain it to them"**

**STEVE KNABL**
Swiss Asia

London&Capital

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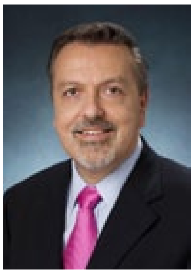
The Group has over USD3.9 billion of assets under management (as of December 2013), is employee owned and is SFC(HK), SEC(US) and FCA(UK) regulated.



**Philippe Legrand - CEO**
Philippe brings nearly 30 years of experience with International banks in private, corporate and Investment banking. He developed the Asian private banking platform for Rabobank/Sarasin in the late 1990's and subsequently headed the Private Banking North Asian operations of ABN AMRO. Before setting up L&C, he was Deputy CEO of BNP Paribas Wealth Management North Asia, a group for which he worked for more than 13 years. Based in Hong Kong since 1995 he has also worked in Europe, North America and India. Philippe speaks fluent English and French.

**Sanam Ramchandani - Deputy CEO**
Sanam brings nearly 30 years of experience in the International financial Industry. Before founding L&C Asia, she was Managing Director at BNP Paribas Wealth Management. Her experience of close to 20 years in wealth management also includes managing senior private bankers in both BNP Paribas, ABN AMRO and Rabobank. Prior to that, Sanam held various positions at Ernst & Young and the Rockefeller Family Office. Sanam is fluent in English, Cantonese, Hindi and Sindhi.

**Benson Wong - Managing Director, Corporate Advisory**
Benson brings nearly 25 years of experience in Investment Banking and has transacted more than US$12 billion in mergers and acquisitions, capital markets and corporate advisory deals. He was most recently head of Greater China Debt Capital Markets (DCM) at BNP Paribas. Prior to that he was head of DCM at Bank of China and a Director in mergers and acquisitions at ING Barings. Benson speaks fluent English, Mandarin, Cantonese and Shanghainese.

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private bankers, selling structured products or emerging market instruments. I understand the need to survive, but [IAMs] also need to tell clients they have to start paying a fee for advice."

Indeed, defining this segment of the industry also continues to be an impediment to its growth, says Carlo Rossi, managing director of Trendlab.

"The biggest problem for the independent wealth management industry is that there is too much confusion in the definitions and none of the common terms – such as 'independent wealth management', 'external asset management', 'multi-family office', etc – clearly define whom the independent firm sides with," he explains.

It's the fee structure which does that, he believes.

As a result, clients are not able to distinguish between people who are on their side, and therefore give advice that is in their best interests, and people who side with the banks, and are therefore not in the position to do so. "This problem can only be solved if the wealth management industry were regulated along the lines of the healthcare industry," adds Rossi, "where doctors are meant to side with clients, and be paid only by them, whilst pharmaceutical companies are not supposed to give 'advice' to clients because they are not in the position to be objective."

In referring to the evolution of fee models, Jon Dingley, managing director of Hong Kong-based TTG, says these have become more transparent, which is how it should be.

"Being a mid-sized company, we are able to be flexible and use a model which the client is comfortable with," he explains.

"That said, in our view a simple annual management fee based as a percentage of AUM is the preferred fee model. Also, it is important that compensation is aligned with client's interests. So, consistency and transparency is key."

Yet some clients are still confused by revenue-sharing agreements.

"Ultimately we are seeing regulatory changes which seek to minimise product charges," adds James Dougall, managing director, Geneva and Bangkok, at Secure Wealth Management.

**"It's clear that some clients are confused by revenue-sharing agreements"**

**JAMES DOUGALL**
Secure Wealth Management

"When we get through this phase I'm confident that [the popularity of] independent wealth managers will grow."

Knabl is equally optimistic. However, at the same time, he doesn't want to see the industry expand too quickly. "If it grows more slowly it will become more mature and really defend the interests of the client first," he explains.

A sentiment poll, taken from the audience of independent advisers and private bankers at Hubbis' Independent Wealth Management Forum 2015 in Singapore, broadly agreed with the views of the senior IAM executives.

When asked what percentage of AUM in Asia will be with IAMs in three years' time, for example, 46% of voters opted for between 10% and 20%. This would mark an increase on the current levels in the low single digits today, but without an unrealistic rate of expansion.

According to Christian Christow, head of the external asset managers desk at Deutsche Asset & Wealth Management in Singapore, the key drivers in developing the independent wealth management industry in Asia include the regulatory environment, having dedicated services for this specific industry, and the maturity of IAMs in the region.

"The most influential driver is a transparent and efficient regulation of the industry," he explains. "This provides the industry the necessary framework to educate the marketplace and to promote this new industry in Asia."

In his view, Deutsche Asset & Wealth Management's extension of a dedi-

**"[Working on the outside]... you have an impact, influence and support, which is not always the case with a big bank"**

**PHILIPP PIAZ**
Finaport

cated offering for IAMs is also a key driver. "In spite of increasing digitisation in banking, it remains important that the bank and the IAM maintains personal interaction with the client, from the daily account management to the IAM investment advice process."

Dingley says that further industry development is a matter of time, and that media will play a substantial part in the education process.

"Most mass affluent and HNW individuals are not aware of the existence of the independent industry as an alternative," he says. "It is important to develop long-term, trusting relationships with clients."

## FOUNDATIONS FOR GROWTH

Brutsch also believes the longer term reality of rising costs will impact the private banking industry and, in turn, work in favour of IAMs.

"The cost-income ratios of many private banks are too high," he says. "I have lot of sympathy over the desire to not change, but we can as we are smaller, and if we work for a client we are paid by them directly, not by retrocessions."

He adds that IAMs had been in a slight regulatory blind spot, in which they were too small to attract much notice. Yet Hui, who is also president of the Association of Independent Asset Managers (AIAM) of Singapore, says this could change.

She cites a meeting with representatives of the Monetary Authority of Singapore (MAS) in late 2014.

"They initiated the meeting as they recognise the private banking industry is heading into a very different spot, and they were concerned about future growth. Even though the banks are running double-digit AUM growth... they said they wanted to help external asset managers grow as they like the responsible, fee-based advisory model."

The AIAM, represented at the meeting by six of its committee members, reiterated its commitment to grow the independent industry, explained to the regulators the hurdles it foresees, and was realistic about the need for regulatory oversight. "We also agreed we need to prove there are no rogue traders or 'black sheep' tarnishing our reputations," adds Hui.

She says she believes the latter can partly be met through good selection and training of recruits. "You need a rigorous selection process when bringing in new RMs so they understand your drive and vision. Otherwise you risk bringing in people who over-market and under-deliver."

Adds Hui: "It's vital to cultivate that entrepreneurial spirit or train people who want to be in our industry. You need to create an internship programme to train such people for the future."

In addition, says Christow, attributes such as achievement motivation, internal control and proactive personality are the essential requirements which go with experience and knowledge of the financial industry.

"This relatively new industry in Asia is a natural development process and a logical consequence in the development of the financial industry as more qualified experts will continue to think about creating own values, strategies and investment solutions by starting an own wealth management company," he says.

When comparing the stage of wealth management and the IAM industry in Asia with other markets such as Switzerland or UK, for example, it is a natural process that people in the financial industry will develop an understanding and a sense for what attributes are required to either join an IAM and develop its business model, or to set up their own business.

"The reason for the shortage of people in this industry is explained through the fact that it just started around 10 years ago and there is an ongoing education process of opportunities related to the IAM business," adds Christow. ■


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# A careful balancing act for Asia's independent community

*IAMs need to stay focused on what they do well as they expand to achieve critical mass. But there is a fine line to growth, which must be balanced against the entrepreneurial spirit and client focus which typically comes with being a boutique firm, says David Reymond, head, independent asset managers & global custody, Asia Pacific, at Julius Baer.*

Asia's independent asset management companies (IAMs) are part of a broader industry that is largely a brand-driven one – where big marketing campaigns have traditionally been used to establish profile and recognition among the client base. However, sheer size is not the critical success factor for IAMs. Instead, staying nimble and retaining a focused culture of client service is key for the future growth and sustainability of these types of organisations.

Getting this balancing act right, therefore, is vital, says David Reymond, head, independent asset managers & global custody, Asia Pacific, Julius Baer.

On the one hand, this means building volume to achieve economies of scale, yet on the other hand, being mindful not to grow too large so as to adversely impact their value proposition.

"At a certain point for IAMs, size can become counter-productive, as they have typically built their businesses based on a boutique approach," he says. Finding a balance and maintaining bespoke services for individual clients is a challenge they might face over time, explains Reymond.

## A GROWING OPPORTUNITY

As wealth continues to grow in Asia, Reymond sees a great future for IAMs.

"We project that in 2020, assets managed by Independent Asset Managers in Asia will increase by more than 100% in volume, to around US$55 billion to US$60 billion," he says.

This is according to the inaugural Julius Baer Independent Wealth Management Report: Asia – which profiles the landscape of these firms. It was prepared in conjunction with the University of St.

Gallen Institute of Management in Asia, based in Singapore, which carried out a field study of the current composition

**DAVID REYMOND**
Julius Baer

of the industry during August through the end of November 2013. From one perspective, the growth will come from the IAM's existing clients, as they grow their own wealth within the region, he explains. The other aspect of growth will be led by international business-owning families expanding their operations into Asia, he adds, resulting in them allocating more of their assets to the region.

And if they decide to invest directly in Asia, the likelihood is that they will also seek a local asset manager to do the job given that firm's familiarity with the local market.

## A REVOLUTION FOR SWISS INDEPENDENT FIRMS

Meanwhile, when looking at the birthplace of the independent / external asset management model, in Switzerland, there have been talks about an expected industry consolidation, especially among the smaller players, for around the past 15 years or so, according to Reymond.

In particular over the last two years, the dynamics of this segment of the wealth management industry have changed significantly. This also includes the decisions by some of the smaller size firms to close down their businesses.

One day, if they conclude that their business is no longer economically viable anymore, they might simply then decide to unwind their business, explains Reymond.

That's a possible scenario for entrepreneurs who are at a latter stage of their professional career, he says.

In future, the minimum number of people for an EAM in Switzerland will be around five individuals which is comparable to what we currently see in Asia; the one-man-shop model will gradually phase out.

## STAYING FOCUSED ON THE VALUE PROPOSITION

Among the existing crop of 100 or so IAMs in Asia, which are mainly operating out of Singapore and Hong Kong, they tend to adopt a service-driven approach, explains Reymond.

That means they develop bespoke services based on the clients' investment and risk profile as compared with a product-driven approach where standard solutions are offered to clients. And given the massive potential opportunity that Asia represents, it is important for IAMs, to focus on what they do best, says Reymond, instead of trying to offer too many different services.

"By not being part of a large financial institution, what an IAM sells is its individual characteristics," he explains. "Clients will work with them based on their specific skill-set and recommendations," he adds.

Ultimately, it is all about fulfilling promises. "As long as the IAM can provide the promised solution, that is what the client is looking for," says Reymond.

For a private bank such as Julius Baer which offers custodian services, there are various value-added elements in the service it can offer to IAMs, explains Reymond. Understanding IAMs first and foremost as financial entrepreneurs who aim to build and run a sustainable and successful business in the long run, this includes constantly updating them about regulatory and market changes.

It also involves a forward-thinking approach, to advise them about potential future opportunities they can adopt in their business model, given the market dynamics. ■

### *Assessing the IAM landscape in Asia*

*The Julius Baer report has revealed some key highlights, observations and insights about the IAM space in Asia:*

- *Singapore is home to approximately 60 firms, while the population in Hong Kong is around 40 – although the typical size of firm in Hong Kong is larger, with eight employees on average*
- *A relationship manager at a typical IAM in Hong Kong has roughly 50 clients; the equivalent number in Singapore is around 40*
- *IAMs in Singapore and Hong Kong have combined assets under management of US$27 billion – with just over half in Singapore and the remainder in Hong Kong.*
- *This equates to roughly 2.5% of private banking assets in Hong Kong and around 4% in Singapore.*
- *In Switzerland, around 15% of wealth management assets are managed by IAMs*
- *IAMs in Hong Kong and Singapore both service a sizeable asset base of clients domicile outside of Asia*
- *IAMs in Asia generally provide services such as financial advice, wealth transfer, tax services and administrative support*

# Why size doesn't have to matter

*As one of Asia's longest-serving private bankers, Urs Brutsch was ready for a change when he set up his own independent asset management company in 2009. And he knew exactly what HP Wealth Management needed to stand for – honest, client-focused and transparent advice.*

HP Wealth Management can genuinely count itself as one of the pioneers of Asia's independent asset management (IAM) industry.

Set up by Urs Brutsch in June 2009, he didn't want to waste any time after the financial crisis hit in 2008.

His decision to leave behind the world of large, brand-conscious financial institutions was driven by a realisation of the need for change – both in terms of business model and advisory mind-set – in terms of servicing the evolving needs of wealthy individuals and families across Asia.

Today, he and his two partners, Michael Foo and Stephane Schmid, offer a combined 60-plus years of private wealth experience to develop the firm's own business as well as the concept of independent advice in Asia. "To a large extent, Asia is still untested in this area," says Brutsch. "There are very few Asian IAMs and family offices, and we can do a lot for [clients] because I don't see why a family would give all their assets to one bank."

## DRIVING A NEW STYLE OF ADVICE

Brutsch has 100% conviction in the independent model, especially if – like his firm – clients get charged a fee as a percentage based on the assets under management (AUM).

"All rebates and retrocessions on fees incurred on the account from the custodian will be passed on to the client," explains Brutsch. These payments are offset against the advisory or investment management fee, which is debited from the account with the custodian every quarter. Such a pricing structure is one of the main reasons why he thinks clients choose HP Wealth Management.

**URS BRUTSCH**
HP Wealth Management

"We don't want to be in a position where we have to tell our clients that we have to charge them a higher fee because we don't get money [in the form of retrocessions] from the bank anymore," he adds.

"I think this honest approach is the best and only way to advise a client."

He remembers clearly how the first client came on board, which happened in September 2009. "I was also effectively the relationship manager, so brought the client in and made the connections," he explains.

"On the technical side, Michael [Foo] then successfully walked the client through the portfolio construction process," he adds.

The firm's philosophy to providing products and services which it believes are in the best interests of clients extends to the firm's fund offering.

It only provides one fund, focused on Asian equities, which Brutsch thinks is sufficient from a portfolio construction perspective, rather than picking individual names.

"We don't want too many products, otherwise we potentially create a conflict of interest," he explains.

Being small and nimble is another characteristic of HP Wealth Management which Brutsch highlights as a key advantage. And after previously being tasked with expanding the private banking businesses of Credit Suisse, ABN AMRO and Clariden Leu in Singapore and throughout Asia, he is certainly well-placed to judge.

So from a family office perspective, for example, the firm has taken a deliberate decision to not scale up this aspect of the business for the sake of growth, beyond what HP Wealth Management provides already. This is an important guiding principle, explains Brutsch.

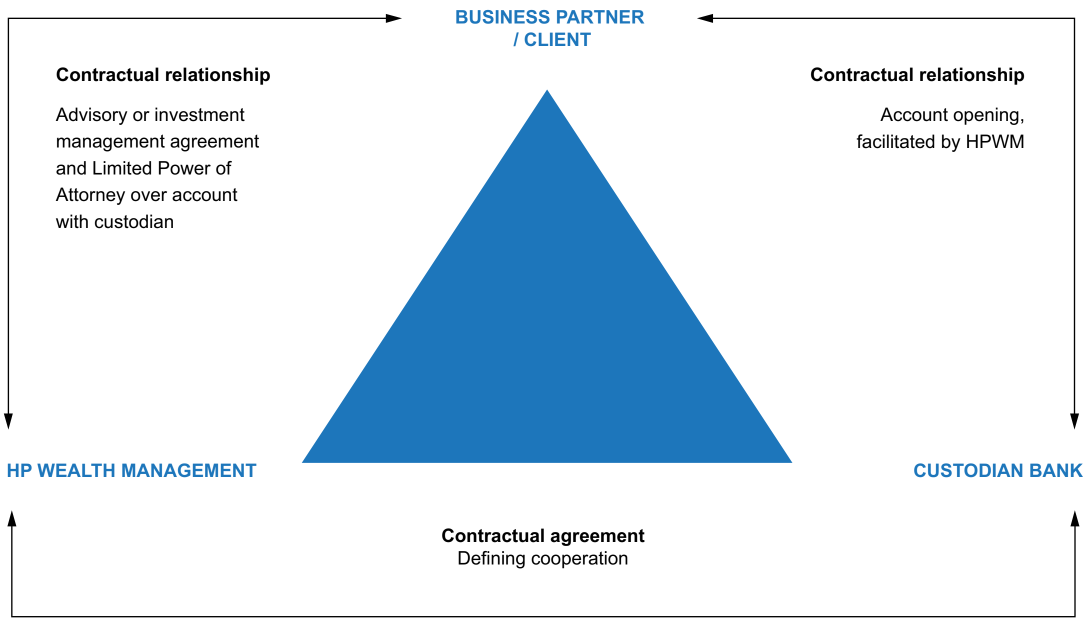
This is because every family is completely different in terms of their needs and also their goals. Plus, they have various multiple accounts with a selection of private banks.

"It's a choosy business, and intellectually challenging because every family is different," he adds.

The only way to service families effectively, it seems, is to tailor-make

**"We try to maximise the potential but not squeeze the lemon. We want to grow a little bit more, but not massively. If I look at where we are after five years now, I am happy."**

**HP WEALTH MANAGEMENT BUSINESS MODEL**




Source: HP Wealth Management

solutions for each one in turn family instead of trying to scale the business aggressively, he adds.

## BENEFITTING FROM EXPERIENCE

The far-reaching, combined experience of Brutsch, Foo and Schmid provides a combined strength and sense of team spirit which many IAMs would find difficult to match.

For example, Foo, who is the firm's chief investment officer and partner, was previously regional head of portfolio management and research at Clariden Leu in Singapore.

With Schmid joining the firm in mid-2012, Brutsch recalls that as a breakthrough point for the business – in terms of having the required fire-power to lure more clients of the right size and type.

## STEADY AND REALISTIC GROWTH

As the firm grows, Brutsch estimates Asia-domiciled clients will count for roughly 85% of the business; the remainder will come from clients based outside the region. At the moment, almost half of the firm's AUM is held within discretionary mandates. And going forward, he expects more clients

**"We don't want to be in a position where we have to tell our clients that we have to charge them a higher fee because we don't get money [in the form of retrocessions] from the bank anymore. I think this honest approach is the best and only way to advise a client."**

And before that, he worked for five years with BNP Paribas on the private banking side.

Schmid, meanwhile, is a former Pictet & Cie executive. After spending six years with UBS in Geneva and New York, he moved to Singapore, where he became a managing director and member of the executive management at Pictet & Cie.

"I have known Michael professionally for almost 10 years and Stephane socially for many years," says Brutsch.

"I think we have fantastic understanding and a great ambience in the office. This translates into good chemistry."

to leverage this type of investment management as a result of regulatory requirements which will make it increasingly time-consuming as well as costly to maintain a transactional approach to wealth management.

Regardless of the growth opportunities for IAMs in Asia, Brutsch is neither greedy nor unrealistic about HP Wealth Management's objectives.

"We try to maximise the potential but not squeeze the lemon," he says.

"We want to grow a little bit more, but not massively. If I look at where we are after six years now, I am happy." ■

### *Core capabilities*

- ***Discretionary investment management** – this is a structured, personalised approach to managing client assets where the day-to-day investment decision is delegated to HP Wealth Management to implement its best thinking in terms of asset allocation and security selection. The basic premise is that returns should be optimised based on an investment profile after determining the client's performance objectives, risk tolerance and other factors.*
- ***Investment advisory** – the client remains fully in control: each and every investment decision is approved by the client before HP Wealth Management implements it. Such a model works best for clients who have a keen interest in the markets and the time to follow their investments.*
- ***Family office services** – the family office becomes an extension of the family for all non-core business matters such as family governance, family investment policy, tax and estate planning, structuring and multi-bank relationships.*
- ***Global virtual custody** – a virtual custody of assets, including non-bankable assets such as real estate, art, private investments and loans is offered across custodian banks in a centralised and independent non-banking platform. Extra services include: consolidated assets reporting; portfolio risk and compliance monitoring; and investment performance analysis.*

# Staking a claim on superior advice

*A key advantage of independent wealth managers over private banks is their ability to be nimble and truly client-focused, as opposed to feeling any need to compromise through pressures to put the revenue-related needs of employers first.*

One of the main points of differentiation which independent wealth managers are adamant about delivering to clients relates to the quality of their advice.

The genuine customer-first approach they claim to take enables them to be able to offer advice on portfolios and overall wealth management that is more suited to the needs of wealthy Asian individuals and families.

In defining the concept of advice in the first place, leaders of independent firms have very clear views.

**"It comes down to your skill-set, if you have an experienced team, and secondly it comes to an alignment of agendas"**

**MANDEEP NALWA**
Taurus Wealth Advisers

"Advice means the independent adviser has to base his or her thoughts on the needs and requirements of the family and find appropriate solutions," says Audrey Lo, managing director of Hong Kong-based ALPS Advisory.

Mandeep Nalwa, founder and chief executive officer of Taurus Wealth Advisers, has an even more succinct response. "I think it's solving any bugbear of the client," he explains.

He went on to state that the primary difference between the way independent asset managers (IAMs) and relationship managers (RMs) at private banks approach their clients is based on issues of reward. "The obvious conclusion is based on how compensation is structured in the wealth management industry. Not every private banker is trying to stuff clients with products; there are some very good advisers who try to do what's right for their clients. But at the end of the day everybody has to be loyal to their employer."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**"The HNW client is looking not only for an adviser but a partner. Most IAMs are entrepreneurs, and so are most wealthy people in Asia, which is important"**

**DR. EKKEHARD J. WIEK**
Straits Invest

## CLEAR VALUE

The ability to best differentiate the business, typically via a distinct strategy, is a key factor which is hard to ignore in the success of an IAM.

"It comes down to deciding who your target client base is," says Mark Nelligan, chief executive officer at Pershing Securities in Singapore. "If you chase dollars for the sake of dollars, you are going to be on the same highway as everyone else," he explains.

Unique qualities also tend to become obvious to HNW and UHNW clients, especially the longer a working relationship exists.

"During a one- or two-year [period] it's harder to differentiate, but the longer I am working with [clients] the more I understand [their needs]," says Lo. "The product and service aspects are our bread and butter."

A sentiment poll, taken among the audience of independent advisers and private bankers at Hubbis' Independent Wealth Management Forum 2015 in Singapore, showed a general consensus with these views. When asked 'What should clients most look to get from independent firms?', 94% of the audience opted for 'independent investment advice', over the other choices, 'estate planning and wealth transfer', 'ability to connect with other clients like them', and 'business succession planning'.

"The result doesn't surprise me at all," says Stephen Fisher, chief investment officer of First Degree Global Asset Management. "The reason people come to us is because we manage money."


Source: Hubbis - Independent Wealth Management Forum 2015, Singapore

**"The reason people come to us is because we manage money"**

**STEPHEN FISHER**
First Degree Global Asset Management

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Retail markets are increasingly efficient and electronic while the wholesale markets have struggled to keep up. Loco London trading and hedging is very transparent and competitive and can be managed through a variety of single dealer and multi dealer platforms. Wholesale physical trading however has seen little innovation and remains largely a phone-based, opaque, inefficient, expensive, and bilateral market.

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However, it isn't necessarily a question of IAMs versus the banks.

In the mind of Sambit Mangaraj, chief executive officer of UCAP Hong Kong Asset Management, IAMs provide the best independent advice to clients as a result of not being restricted to one bank, having relationships with multiple service providers, not facing any requirements to sell certain products, and not being compelled to churn client portfolios to meet budgetary targets.

In addition to this level of flexibility, IAMs generally spend more time looking for the right product and type of advice for the client, he adds. Plus, IAMs also rely on their own internal research, product ideas from their custodian banks and other third-party partners, enabling them to screen-out what best suits each client.

"But rather than a question of who provides the better advice, it is more about how advisers can leverage on relationships with all market players to find the right fit for the client," explains Mangaraj.

Jon Dingley, managing director of Hong Kong-based TTG, agrees. "Are independent firms really the go-to people in a time of need?" he asks. "One can't generalise, but clearly it will come down to the strength of the relationship."

At the same time, although independent firms are able to provide impartial advice which should be key in times of need, Dingley doesn't believe one can simply throw a blanket over all banks and say they are the same.

"Some banks are more independent and entrepreneurially minded, therefore complementing an IAM's services."

**"Advice means the independent adviser has to base his or her thoughts on the needs and requirements of the family and find appropriate solutions"**

**AUDREY LO**
ALPS Advisory

**WHAT IS THE BIGGEST ATTRACTION FOR BANKERS ABOUT WORKING FOR AN INDEPENDENT FIRM?**


Source: Hubbis - Independent Wealth Management Forum 2015, Singapore

**"The day we stop talking about fees and what clients want to pay is the day we succeed"**

**MARK NELLIGAN**
Pershing Securities

**"The fee structure dictates who you align with. Either you align your interests with the bank or with the client. You can't align them with both"**

**CARLO ROSSI**
Trendlab

**"An alignment of interests is the first stage of getting the value proposition right, and ensuring it appeals to the desired client group."**

## COMMUNICATION PARAMOUNT

An alignment of interests is the first stage of getting the value proposition right, and ensuring it appeals to the desired client group.

In line with this, a key component of a successful relationship between a HNW or UHNW client and an IAM is a clearly-defined working relationship, including targeted goals and remuneration.

"It comes down to your skill-set, if you have an experienced team, and secondly it comes down to an alignment of agendas," says Nalwa. "For example, if a firm provides trust advice, how are they compensated; purely for advice or a fee or paybacks from other sources?"

The proximity of the relationship is far closer than is typically seen within private banks, adds Ekkehard Wiek, managing partner of Straits Invest.

"The HNW client is looking not only for an adviser but a partner," he explains. "Most IAMs are entrepreneurs, and so are most wealthy people in Asia, which is important. But when they deal with the employee of a bank, usually when this person reaches a [senior] position they are no longer dealing [directly] with clients," he adds.

In line with this, the IAMs' understanding of local culture allows them to identify and focus on the key strategic markets through a structured and systematic client acquisition process.

The important drivers are the specialisation of IAMs in a particular area of services, investments or core competencies to distinguish their value proposition from other market participants, says Christian Christow, head of the external asset managers desk at Deutsche Asset & Wealth Management in Singapore. "Their focus remains on the competitive advantage as well as on their unique selling points."

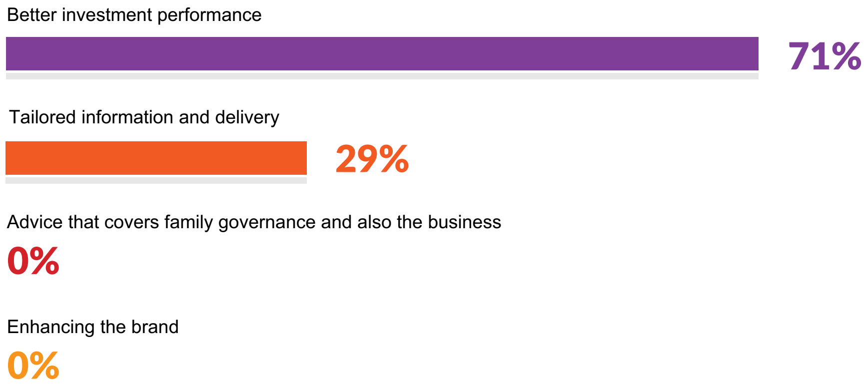
## ENCOURAGING FEES

In another question to the audience at the Hubbis forum, when asked what they think is the key driver for IAMs to encourage clients to pay fees, nearly three-quarters opted for 'better investment performance'. The rest chose 'tailored

**"Industrialisation leads to the maturity of the industry, increasing market share and further growth of assets managed by these financial experts"**

**CHRISTIAN CHRISTOW**
Deutsche Asset &
Wealth Management

### WHAT IS THE KEY DRIVER TO ENCOURAGE CLIENTS TO PAY FEES FOR ADVICE?




Source: Hubbis - Independent Wealth Management Forum 2015, Singapore

information and delivery', with nobody voting for either of 'advice that covers family governance and also the business', or 'enhancing the brand'.

"The real answer is all of the above and more," says Nalwa. "It could be walking the dog for clients, or finding the right place for his daughter to go to college."

Lo, meanwhile, says that her firm works with third-generation clients, so working out their balance sheets on the business side is easy.

"But we also find out they have a lot of wealth in jewellery or an art collection. We have to engage outside expertise to evaluate this," she adds.

According to Carlo Rossi, managing director of Trendlab, the question of whether IAMs really deliver better advice than the banks depends on the fee structure of the firm.

"If a fee structure aligns the interest of the firm with the bank – meaning retrocessions on transactions – the fee structure puts them on the same side of the bank. In this typical private banking-like set-up, clients pay a huge amount of hidden fees and get advice that is not even in their best interests."

However, he adds, if a firm is paid transparently and 100% by the client with management and/or performance fees – and no sales charges, soft-dollars and retrocessions – then the firm will be able to provide advice that really is in the interest of the client.

"The fee structure dictates who you align with," says Rossi.

"Either you align your interests with the bank or with the client. You can't align them with both."

Industry insiders say advisory fees have to further be put into perspective.

"When a client pays us a fee, we look at it as an investment and we must generate a return that should be a few times the amount of that investment," explains Nalwa. "So if a client pays us 1% we must add a return to their portfolio that is significantly higher in incremental return. Beyond that, the tailored requirements of clients add a lot more value and some of our fee is associated with that."

Nelligan feels the de-emphasis and outright banning of retrocession in markets such as Australia and the US would help facilitate IAMs work with clients – if replicated in markets like Singapore and Hong Kong.

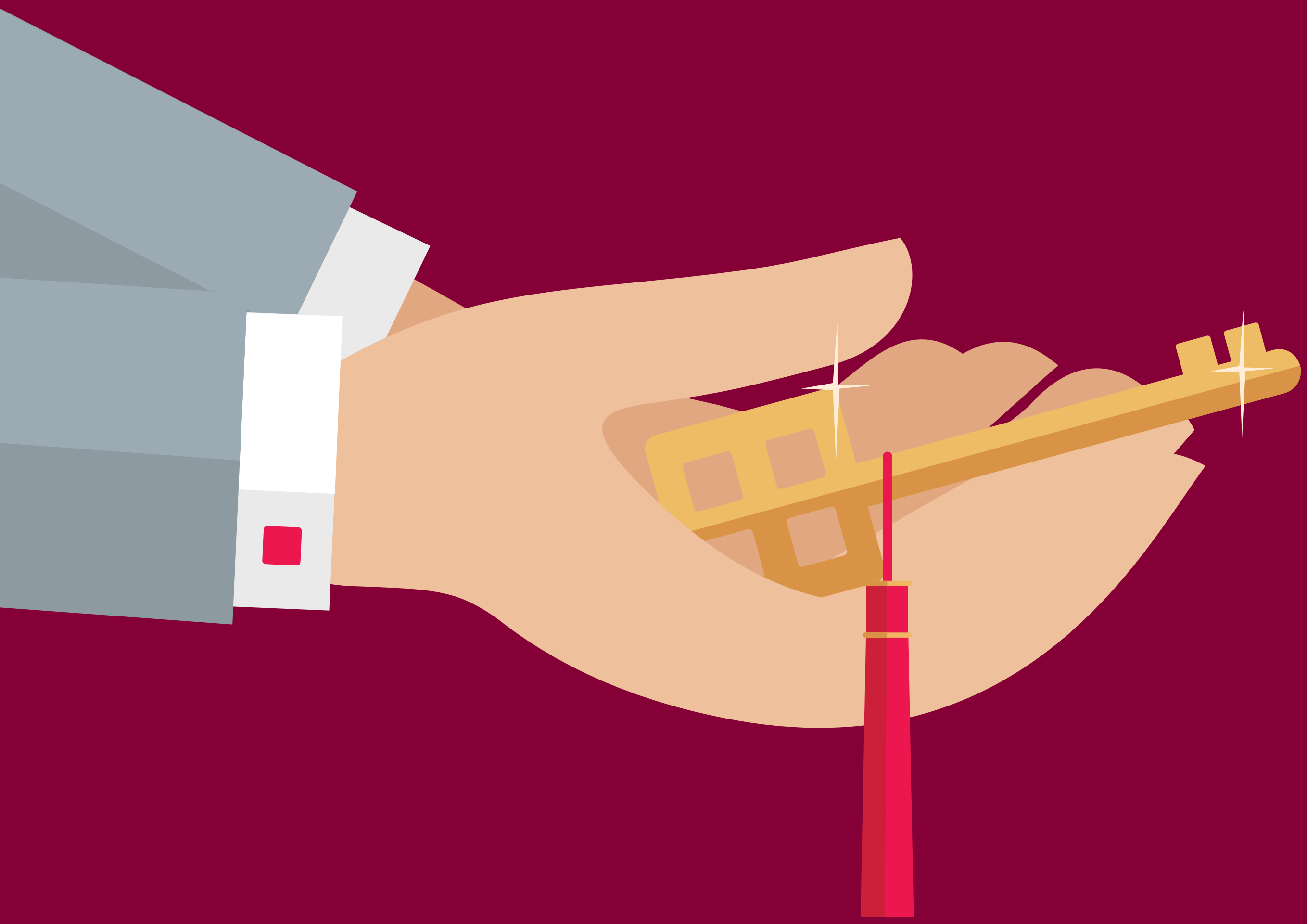
"You have seen this happen in the US and Australia, where the model of independent advisers is more developed," he says. "It will happen [here], the question is when. The day we stop talking about fees and what clients want to pay is the day we succeed."

Some major international trends such as the industrialisation of the IAM industry are also impacting the landscape in Asia as well.

Industrialisation in this instance refers to increased efficiency in the management process of assets and the creation of economies of scale through IAM incubator collaborations, explains Christow. "This collaboration is done with other market participants as a consequence of the industry's development towards a larger market share."

"IAM incubators are IAMs in Asia which offer their infrastructure to other new participants and small IAMs, sometimes through a joint venture. These smaller companies are not sizable enough to maintain their business set-up and benefit from the extension of the IAM incubators," he adds.

Ultimately, such industrialisation leads to the maturity of the industry, in turn increasing market share and further growth of assets managed by these financial experts. ■



# Positioning for Asia's maturing independent industry

*Sascha Zehnter, the new head of Credit Suisse Global External Asset Managers in APAC, explains how the firm has diversified its offering to external asset managers (EAMs) across multiple segments in Asia, to be well-placed to capitalise on locally-fuelled growth.*

With Asia home to the majority of the fastest growing markets for HNW individuals, the demand for independent trusted advice has risen enormously.

At the moment, the estimated EAM penetration in the region is still at a low single-digit number, whereas in mature markets, it is clearly double digit.

This indicates that the Asian EAM industry is in an early stage of the life cycle, albeit with healthy heterogeneity in business models. For instance, many European-originated EAMs have set up satellite operations in Asia, with some of their original home-base clients booked in the Asian office, while also extending services to local Asian EAMs through the hiring of Asia-based relationship managers (RMs).

Potential for growth is tremendous in the coming years. "The EAM industry is expected to grow at a rapid pace both in terms of the number of EAMs and the assets they manage," says Sascha Zehnter, appointed to his new role at the beginning of May 2015. "We have many EAMs in Asia who are home-grown and have set-up their operations by taking on some of the original EAM concepts from Europe, and adapted them to the needs of their local end-clients," he adds. Credit Suisse has one of the most established offerings for

**"The EAM industry is expected to grow at a rapid pace both in terms of the number of EAMs and the assets they manage."**

**SASCHA ZEHNTER**
Credit Suisse

EAMs globally. It has the ambition to play a decisive role to capture the potential in Asia and make its mark as the market leader in this space.

## STRATEGIC SEGMENTATION

The bank has been careful, however, to do this across a number of EAM groups, in order to ensure it is well-diversified.

Its business in this area in Asia focuses on four segments of business partners.

The first are the classic EAMs which are set up mostly by ex-private bankers. Second, are the multi-family offices, where Zehnter says he sees a lot of potential especially in local markets where a growing number are being established. Thirdly, the firm covers securities firms that want access to a comprehensive international platform. And the fourth group comprises the Private Label Funds, which are growing in number as more fund managers look to bring these vehicles to market.

Such a wide remit is only viable with the scale of an offering of the nature that Credit Suisse has in place, given that each of these groups has a different need, and therefore requires a different type of service.

Delivering on the diverse needs of these firms – from M&A advisory to corporate bond issues, as well as traditional investment products – also plays to Credit Suisse's strengths, via a combination of its investment banking and private wealth management expertise.

## EVOLVING MODELS

The rationale for targeting a variety of EAM types also makes sense given that there is an increasing blurring of models of different organisations in the independent wealth community in Asia.

"EAMs are thinking about how to set up their businesses for the future," explains Zehnter.

"This is based on their clients' needs but also on the regulatory requirements and cross-border issues they now face. Credit Suisse ensure it keeps its business partners up-to-date about the regulatory and policy changes."

It seems to boil down to two broad options: either they opt for the multi-family office-style model; or, they focus on a specific type of business. For the latter, Private Label Funds are highly-attractive and proving popular, from a combination of perspectives – marketing, administrative, and track record.

Some choose a specialised investment approach so that they can get recognised for that.

"This means they can reduce the classical tri-partite relationship and move to the streamlined fund management business," he explains.

### *A targeted offering*

***There are three key components of the Credit Suisse Global External Asset Managers offering creating tailored, flexible and innovative products and solutions.***

- ***Technology – a broad platform of user-friendly solutions to cover all aspects of an EAM's business, from efficient transaction management and analytical information to high-performance reporting***
- ***Investment universe – an open architecture to offer investment products in all asset classes and an extensive range of investment ideas across the board***
- ***Tailored solutions – customised offerings to meet EAMs' needs and provide access to pre-developed solutions covering a range of requirements***

**"I foresee some strong growth in this industry... which in turn will lead to an evolution in the models."**

For RMs to leave private banks to set up EAMs, or join existing firms, it requires some specific characteristics. These include a certain mindset, loyalty within their end-client base, and capability, much like an entrepreneur, says Zehnter. "I foresee some strong growth in this industry, in line with its maturity, which in turn will lead to an evolution in the models," he adds.

That has also driven the Credit Suisse strategy behind its multi-pronged client segmentation. "Just like any good portfolio manager, we haven't put all our bets on one horse," he explains. ■

# Driving an independent advisory mind-set

*Harmen Overdijk and Lodewijk Lamaison are determined to use CAIDAO WEALTH as the platform to provide the type of independent advice they believe clients need, and also which these ex-private bankers see as essential in helping Asia gain greater traction in the portfolios of European investors, and vice versa.*

When Harmen Overdijk and Lodewijk Lamaison first discussed the idea of striking out on their own, they knew exactly what they wanted to achieve.

After working together for 14 years, most recently at EFG Bank and before that at Fortis Bank, the two were aligned in their desire to service clients in a new and different way: as independent asset managers. "We wanted to set up our own shop six years ago," say Overdijk and Lamaison.

"We joined EFG because it was an entrepreneurial platform. We wanted to be independent in the long term because so many things are going to change in the financial industry," claim the duo.

Part of their vision at their new firm, CAIDAO WEALTH, is to be able to drive the Europe-Asia connectivity by giving clients from each region better information, investment ideas and, ultimately, access to opportunities on the other side of the world. This is key, since many European family offices don't know what advice to trust and which investments to make – and even if they do decide to invest in Asia, their options tend to be limited and the costs are higher than they should be.

## STEPPING STONES

Launched in September 2014, CAIDAO WEALTH is aligned with Chinese private equity investor Caidao Capital.

That fits neatly into the objectives of Overdijk and Lamaison – to build their asset book by continuing to bring in clients to service their portfolio management or private equity needs.

More specifically, by working closely with CAIDAO CAPITAL's managing partner, Ming Lee, Overdijk and Lamaison are combining the networks on the ground in Europe to forge a greater link with Asia. "We have known Ming for quite some time and have complementary skills and networks, and by teaming up we can deliver better solutions for our mutual clients," says Lamaison.

**HARMEN OVERDIJK**
CAIDAO WEALTH

**LODEWIJK LAMAISON**
CAIDAO WEALTH

At the same time, the pair realise the need to focus clients' attention more on Asia, and especially China.

"A lot is going to happen in the Chinese finance industry in the next couple of years, especially with Shanghai-Hong Kong Stock Connect," says Overdijk.

"So we will be looking at the opportunities there – whether these relate to funds or working with local asset management houses in China."

Allying with local asset management houses in Taiwan is also on the cards.

Going forward, they say they will be open to considering co-investment opportunities and club deals for their clients. But these are not priorities at the moment, they add.

"Most of our clients, for the bulk of their assets, still need traditional asset management," claims Overdijk.

## CHANGE DRIVERS

In addition to their personal ambitions, the changing regulations across the region seem to have been an important motivator for the CAIDAO WEALTH duo to become independent.

"While some banks try to have an entrepreneurial model, it often gets curtailed by local regulations," says Overdijk. The banks' reaction to tougher rules has been to ensure their products fit into what he calls a "box".

Yet having too many boxes is impractical, in turn forcing the banks to shrink their product range to such an extent that clients then find it restrictive.

So, for example, a client who likes Japanese REITs is prevented from buying the product if their bank doesn't participate in that space.

Such dynamics present a growing opportunity for CAIDAO WEALTH. "We can work with other parties," says Overdijk. "For example, we can offer our own investment portfolio management, but we can also work with some providers where other portfolio managers, through technology, can deliver portfolio management for our clients."

## AN INNOVATIVE MIND-SET

Overdijk and Lamaison represent what the independent community needs more of in Asia: bankers with the client base, experience, confidence and – perhaps most importantly – entrepreneurial spirit to leave the comfort of a large institution to do things their way.

"The essential parts of our business model are our transparent fee structure and the use of independent research that we purchase from respected independent research houses. This is really a direct benefit that clients are seeing," explains Lamaison. "Furthermore we are keen to make use of the latest technological solutions. There is so much you can do with technology these days which really benefits the clients but also benefits us in our day-to-day operations. And this will only get better."

"For example, we have now implemented software for consolidated reporting where clients can view their assets of mulitple bank accounts all in one view online. At the same time this software is also providing the investment team with multiple signals, for instance, to see if the investments are still in line with our mandates," explains Overdijk.

## LEADING BY EXAMPLE

At the same time, it is notable that one of the biggest hurdles for independent asset managers to date in Asia is attracting enough senior bankers to give these firms the fire-power required to develop more traction.

While a lot of RMs might not be entirely happy at their current banks, they are often also too comfortable to leave.

This is a very important element to both Overdijk and Lamaison. "We are open for business to other senior RMs to join our firm," they claim. "We have built a platform that will entice RMs to consider joining us.

For Overdijk, the proposition is straightforward – for clients and potential new staff alike. And it reflects his rationale for being his own boss.

"We are only doing business with clients we like or have a chemistry with," he says. "And we are only hiring people we have good chemistry with." ■

# Improving the investment proposition for Asian families

*The prevailing low interest rate environment in most Western economies offers boutique and independent advisory firms a chance to differentiate their investment advice from larger private banks.*

**"The best-performing portfolios are [generally] those with the least risk. You really need to know your client and their [investment] objectives"**

**ROXANNE DAVIES**
Parly Singapore

Today's low interest rate environment offers independent asset management companies (IAMs) a way to demonstrate the value of client-specific, specialised investment advice.

This creates an important and necessary opportunity for such organisations to show how they can add value – and therefore compete – with the resources and reach of many larger private banks.

For example, one of the unique elements of the wealth management industry is the lack of performance benchmarking, which is a common across most other parts of the investment industry. "The lack of benchmarking surprises me," says Tanmai Sharma, founder and chief executive officer of Mesitis.

According to Vikas Gattani, founder and chief executive officer of Progress Capital, players in the wealth management space don't take this approach because most clients look for absolute returns. "You cannot pitch benchmarking to HNW clients."

In his opinion, today's investment landscape gives independent wealth managers a greater chance to shine in terms of their advice. "The current environment is about low yields and hunting for yield," he explains. "There is a lot of risk in the system, and people are looking for non-financial related strategies. We have been able to provide some solutions to clients. We found something with a trade finance partner, for example, which not only gives a good return but pays out double digits on a quarterly basis."

Technology also remains largely absent from the industry's service channels. "A lot of money is going to the second or

**"Our agenda is to [offer clients investments in] Africa and Eastern Europe too, to add to the overall diversification of portfolios"**

**JIM HUANG**
Tennou Capital Management

third generation and they are extremely comfortable with technology," adds Sharma of Mesitis.

## FINDING A NICHE

In a sentiment poll of the types of investment opportunity most sought after by clients of IAMs, taken from the audience of independent advisers and private bankers at Hubbis' Independent Wealth Management Forum 2015 in Singapore, 63% said they felt HNW and UHNW clients are most drawn in by discretionary portfolio management (DPM).

Not all industry executives agree, however, with club deals also proving popular to some extent.

"We don't go for 20% to 25% returns, and we need synergies with the families," says Jim Huang, founder of Tennou Capital Management.

Gattani also says club deals are popular.

"As an independent manager I would like to say there is a lot of demand for DPM, but unfortunately there isn't at the moment. I think there is more demand for club deals."

In looking to broaden investment options for the region's wealthy, Jakob Nilsson, head of business development for Hermes Investment Management in Asia Pacific, says his company is bringing to market new types of offerings.

"One thing we try to bring from the institutional business is risk-adjusted returns," he says.

"A lot of people are blown away by [annual returns of] 25% and up, but not so many talk about the risks that have to be taken to achieve such returns. And it can create a great deal of [portfolio] stress in doing so, and can also cause large drops [in returns too]."

"A 25% return in a zero interest rate environment implies a very aggressive risk factor," agrees Roxanna Davies, managing partner at Parly Singapore.

"And the best-performing portfolios are [generally] those with the least risk. You really need to know your client and their [investment] objectives."

In another sentiment poll at the Hubbis forum for IAMs, half of the audience confirmed that their priority in today's changing world of investment advice is to improve their personal value proposition. Just under one-third said they were focused on working with clients who have long-term investment goals.

Given that the value proposition of an IAM isn't restricted to purely finding the best trade ideas or execution platforms for clients, the focus should instead be on being able to help clients in every aspect of their financial needs – whether that is in the corporate or investment banking space.

**"It's essential for the IAM, or the people behind the IAM, to be well-connected and have a network of third-party players globally"**

**SAMBIT MANGARAJ**
UCAP Hong Kong Asset Management

"To achieve that, it's essential for the IAM, or the people behind the IAM, to be well-connected and have a network of third-party players globally," says Sambit Mangaraj, chief executive officer of UCAP Hong Kong Asset Management.

"Most clients have global requirements, so an international presence is a true value-add."

## ALTERNATIVE ASSET ALLOCATION

IAMs are also confident about being able to help investors diversify their investments into a variety of less-traditional asset classes and products.

Universal life policies, for example, have become increasingly popular among private banks and other wealth advisory firms, which typically stand to earn sizeable commissions from selling them. Yet they still offer value to end-clients, if applied correctly.

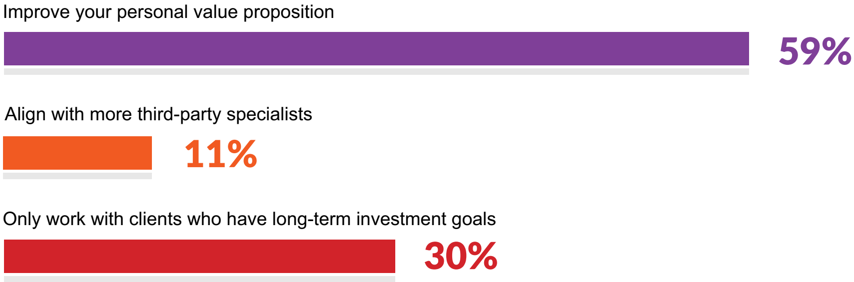
For instance, they are used from an income perspective as well as for estate or succession planning.

Universal life also offers confidentiality, investment flexibility and an insurance wrapper, which can hold esoteric assets.

**"There is a lot of risk in the system, and people are looking for non-financial related strategies"**

**VIKAS GATTANI**
Progress Capital

### WHAT IS YOUR PRIORITY IN TODAY'S CHANGING WORLD OF INVESTMENT ADVICE?




Source: Hubbis - Independent Wealth Management Forum 2015, Singapore

Huang adds that there are other diversification plays to be found in different industries and geographies, with the right due diligence. "We look at unique factors other than typical [investment] opportunities," he says. "We think there is a perfect storm; rates are low, and lots of companies we deal with are running out of cash. Many of those we work with are commodity firms and they have been hit pretty hard [by falling commodity prices]."

He has also been sourcing opportunities outside Asia.

"Our agenda is to [offer clients investments in] Africa and Eastern Europe too, to add to the overall diversification of portfolios," he says. ■

**"A lot of people are blown away by [annual returns of] 25% and up, but not so many talk about the risks that have to be taken to achieve such returns"**

**JAKOB NILSSON**
Hermes Investment Management

# A networked model for a new wealth landscape

***Private banking industry veteran Lonnie Howell has taken on a new project – spearheading what he describes as a unique proposition in UCAP Asset Management. He believes this is the best way to profitably and sustainably service clients.***

It would be short-sighted to not pay attention when someone of Lonnie Howell's experience and insight in private banking says that the game-changers afoot threaten to alter the industry fundamentally – and for good.

His 35-year track record gives him a unique perspective.

Before co-founding EFG International and serving as its chief executive officer until 2011, Howell's CV included running the Americas at Coutts and leading the Swiss super HNW business at Citibank.

Now, he is spearheading UCAP Asset Management in Asia.

The goal is to create investment opportunities while providing a unique private banking inter-mediation platform for clients via a network of businesses in the region.

Howell says he has been driven to set up this new type of advisory firm by what he is convinced is a "once-in-a-lifetime" opportunity. "I have been in this business since 1978, and I haven't seen anything like this ever," he proclaims, "where many of the biggest players have more or less been knocked to their knees simultaneously."

## A NEW MIND-SET

As far as Howell is aware, what his team has created with UCAP is truly unique. "It doesn't exist. I haven't seen anybody take the approach that we have."

The firm's ultimate objective is to partner and collaborate with the most experienced custodian banks, investment banks, investment advisers and wealth managers within the Asian region and beyond; meaning people who truly have a good understanding of the local culture, language and regulatory requirements.

**LONNIE HOWELL**
UCAP Asset Management

The firm is also adamant that its partners share a similar entrepreneurial spirit and wealth management track record, as well as offer comprehensive services to ensure clients benefit from a network of skills and capabilities that go beyond just the investments and banking side.

No longer is it particularly intellectually credible for a bank to propose to clients that their needs can be met solely with solutions sourced in-house.

As a result, Howell's objective with UCAP is to intermediate between client requirements and the most relevant solutions that exist around the world.

"We are positioning ourselves like the general practitioner of the medical universe, to diagnose a client's ills and then help identify who can best address those," he explains. He adds it is only when a client gets such help, over time, that real trust gets built.

Although there are clear similarities with the independent asset management model which has become more popular in Singapore and Hong Kong since the 2008 financial crisis, Howell isn't benchmarking himself in that way.

"Regardless of what anybody else is doing, we are here to grow globally," he says, "and to grow substantially."

So far, it's working. After launching the business in February 2014, it crossed US$1 billion in AUM across Asia as of April 2015, and is growing at a rate of 40%-plus per year, confirms Howell.

## CREATING A NETWORKED WORLD

Making the UCAP independent model work over the long term depends on a consistent, reliable and high-quality network of firms which can provide the relevant advice to clients. "The key to the model is building a network of businesses that can actually interact across borders," says Howell.

This makes a fundamental difference in enabling the firm to be able to shop around for its clients to deal with all their matters, wherever they might be, he explains. "That's where we have a huge advantage over the competition."

It is also in line with what clients increasingly want.

Amid the shake-up underway in global private banking, the average HNW or UHNW individual is less and less happy with the service they get.

A combination of sweeping regulatory changes, tougher compliance requirements, legacy issues, tighter margins and client weariness has made it increasingly difficult for many institutions to deliver on the service proposition they claim to offer.

"It isn't realistic for banks to be all things to all people," says Howell.

With such an intense regulatory spotlight on all their activities, banks are simply unable to offer all the products and services they would need to if they wanted to compete, he adds.

Against this backdrop, it seems the best approach is to effectively stand outside of the banks to pick-and-choose which ones to work with, depending on the best solution for a client's requirements.

"This works when you can scan the marketplace and use the knowledge and pricing power that comes from acting on behalf of many clients to arrange a deal for them," explains Howell. "Our success at UCAP will continue to come from being able to provide solutions without being married to one institution," he adds.

In short, while size doesn't matter per se, getting access to the right professionals, wherever they might be, is key in today's environment.

"A fundamental problem with a traditional independent or external asset management structure is that they don't have leverage to get access to the full range of service providers in the market, mainly because they are too small," explains Howell.

"It's like a closed loop – because they are small and less well-known, they stay small and find it challenging to attract clients other than those which they know already," he adds.

## STILL HIGHLY DRIVEN

Despite the opportunity he articulates with UCAP, an obvious question to put to someone like Howell is: why do it all over again?

From a professional perspective, there are two main aspects. The first relates to doing something he believes in, and working with people who are dynamic and whose company he enjoys. "It's fun to work with people who are similarly-minded and have the energy to make things happen."

The second aspect is the opportunity. No bank globally has a dominant market share within private banking, and in many cases, these firms are taking steps backwards. "With the UCAP model we hope to capitalise on the opportunity provided by the diminished number and focus of bank competitors," says Howell. Ultimately, only time will tell whether he can maintain a winning touch. ■

# Adapting the independent value proposition

*As the independent wealth management community grapples with the challenges of luring clients and capable bankers, Olivier Parriaud of Credit Agricole Private Banking explains why many firms need to broaden their approach to offer family office-style services.*

While there is a handful of more established independent asset management (IAM) companies in Singapore, the industry as a whole is yet to establish itself as a prominent option for HNW and UHNW clients.

"The business model still has to find more legitimacy in Asia," says Olivier Parriaud, head of financial intermediaries at Credit Agricole Private Banking in Singapore.

This is based on the fact that the majority of clients in Asia remain reluctant to choose this approach for their portfolio management needs over that of a private bank.

The exceptions are in the case of those individual relationship managers (RMs) who have brought loyal clients with them when they have left their banks to join IAMs or when they created their own structure.

"Unless there is a strong relationship between the client and RM, the industry faces a challenge to convince clients to follow their advisers to independent institutions," says Parriaud. This is compounded by the fact that it is difficult to convince successful RMs who have what appears to be sticky AUM to move to IAMs, he adds. "Just relying on market

**OLIVIER PARRIAUD**
Credit Agricole Private Banking

**"Unless there is a strong relationship between the client and RM, the industry faces a challenge to convince clients to follow their advisers to independent institutions."**

conditions to encourage clients and bankers to look around at other options and then consider the independent model is a risky approach for the future of the industry."

## EVOLVING THE MODEL

To enable clients to see greater value in the IAM concept, and at the same time attract more business, many independent firms have started to take on a wider role – acting as a gatekeeper for the families of their clients.

"Many IAMs call themselves multi-family offices," says Parriaud, "so when discussing independent wealth management in Singapore today, this is what many people tend to refer to."

That includes corporate finance, legal structuring, family advice and other much broader services than simply portfolio management.

What comes with this approach, however, is a greater cost in terms of being able to provide this expanded range of services.

So without a critical size, of around US$1 billion, for example, which many IAMs in Asia fall short of, it isn't realistic that they can absorb the costs of bringing in-house the type of expertise they need to offer the services they want to.

After nearly a decade of the IAM model being around in Asia, these challenges remain for most of these organisations. In turn, this stifles industry growth.

On the flipside, for those RMs with a sizeable asset base but want to work within an independent environment, they can do so while keeping the assets of their clients with the same bank.

These RMs then just continue to work with the same clients but from a new perspective, and the private bank also still benefits.

**"Many IAMs call themselves multi-family offices, so when discussing independent wealth management in Singapore today, this is what many people tend to refer to."**

## STRATEGY REVIEW

In line with the growth challenges for IAMs, inevitably some private banks have been reviewing the purpose and requirement for their financial intermediary desks.

Part of this comes down to resources. To meet the broader service offerings that IAMs are now giving to their clients,

Parriaud says private banks need to provide a greater variety of products, solutions and support to the IAMs.

"We have been expanding the range of support services we are offering these firms, which has benefitted the IAMs," he adds.

Where Parriaud says Credit Agricole Private Banking can bring a lot to the table is in terms of its execution.

That is a result of various things, he adds: fast and reliable technology systems, flexibility within the mid- and back-offices, plus the ability to work with a range of providers and products or structures.

Such services are essential for IAMs, especially given their level of requirement in terms of open architecture.

## MEETING NEW NEEDS

For the independent firms themselves, they need to overcome the shortage of talented manpower.

One option for them to consider is to look to other professionals who are able to bring with them the specific areas of expertise required.

For example, says Parriaud, this means lawyers, corporate bankers and also asset structurers.

"These are the types of specialists which are needed to satisfy the requirements of wealthy families, not just private bankers which can generally offer asset management advice," he explains.

Yet that doesn't address the challenge of profitability in the first place.

As IAMs look to move from retrocession-based income towards fee-based advice, it is difficult for them to make good levels of sustainable revenue. Here again, size matters. ■

# Cutting through the red tape

***Compliance requirements for all financial services companies are rising, with smaller firms particularly feeling the effects of having to keep up-to-date. IAMs now need to understand how to handle the extra time and effort it takes to meet new regulatory demands.***

Mounting compliance obligations are becoming an ever-more expensive burden – yet a fact of doing business – for independent asset management companies (IAMs). But with the regulatory load unlikely to lighten any time soon, these smaller players need to work out the best way to handle it.

One of the biggest issues relates to the sheer quantity and complexity of work now required to meet new regulations.

**"The key challenge for me as a compliance officer is that the new, revised regulatory forms and questionnaires are no longer 'tick the box'"**

**ALICE LEE**
Chartered Investment Managers

"The key challenge for me as a compliance officer is that the new, revised regulatory forms and questionnaires are no longer 'tick the box'," says Alice Lee, a compliance manager for Chartered Investment Managers.

"Now, if you answer 'yes' or 'no' [the regulator] asks for supporting documentation and some of it is really technical."

Technical regulations are another area where life is no longer straightforward.

"A firm is required to be an expert in everything – IT, tax, information and documentation as well as wealth management," adds Lee. "It's a challenge."

Rolf Haudenschild, a principal compliance consultant for Maroon Analytics, says one approach for IAMs is to keep the focus of each individual in the firm on what they do best.

"So you must have a capable compliance officer, a capable investment officer, and a capable product manager," he explains. "The key is to keep them focused on their core activities."

### RAFT OF REFORMS

Based on a sentiment poll among the audience of independent advisers and private bankers at Hubbis' Independent

**"AML is certainly here to stay for a long time, not just this year. So is the focus on tax evasion and FATCA"**

**ROLF HAUDENSCHILD**
Maroon Analytics

Wealth Management Forum 2015 in Singapore, the external risk posing the biggest concern was anti-money laundering compliance, including tax evasion – with 31% of the vote.

This was followed by FATCA and Common Reporting Standards as one option, and then MAS audits as another. Data security and cross-border regulations seemed to be further back in the minds of the audience.

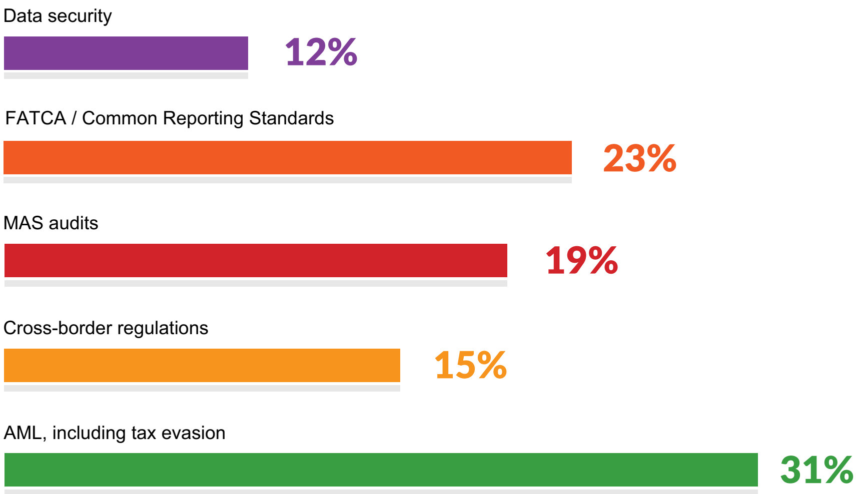
"Serious tax evasions and crimes have become an offence akin to money laundering," notes Haudenschild, explaining that MAS audits are aimed at ensuring all institutions are up-to-speed.

"AML is certainly here to stay for a long time, not just this year. So is the focus on tax evasion and FATCA," he says.

"Then in 2017, Singapore will have made reporting and tax agreements with other countries," he adds.

Meanwhile, Jack Wang, a partner with Lexico, suggests IAMs could try and stay abreast of rising regulatory demands by developing relationships with key individuals working within the regulator.

**WHICH OF THESE EXTERNAL RISKS IS YOUR BIGGEST CONCERN RIGHT NOW?**




Source: Hubbis - Independent Wealth Management Forum 2015, Singapore

**"If you're not sure [of the rules] just ask because the framework keeps changing"**

**JACK WANG**
Lexico

"If you're not sure [of the rules] just ask because the framework keeps changing," he says.

## RED TAPE TANGLE

In another sentiment poll at the Hubbis forum, 46% of voters said the biggest danger of over-regulation on the wealth management market was the potential for paralysis by the compliance burden.

That was followed, according to 21% of respondents, by creating a less attractive industry for newcomers to join.

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> **"It is easier to interpret and manage rules when you are a smaller outfit"**
>
> **PHILIPPE LEGRAND**
> London & Capital Asia

Wang agrees that the heightened amount of form-filling can be difficult to manage, and discouraging for would-be market participants.

"Start-up fund managers need room to breathe, and they need to raise funds of at least US$10 million to US$20 million," he says. "What the MAS wants in terms of compliance is more [appropriate] for global managers with global banks. We are pretty well behaved, in my opinion."

Haudenschild says he shares such concerns, to a degree.

"I believe lot of regulations have been written internationally, and there are a lot of international bodies in the financial industry. If you don't comply with all these international standards rules and regulations you will find yourself frozen out," he explains.

From a more practical perspective, a more regulated approach also levels the playing field.

Wang adds that the key issue is less about the amount of rules the regulators want IAMs and private banks to abide by, and more about how rigorously these firms maintain them.

"In my opinion the main problem is not a lack of compliance, but a lack of enforcement," he says.

## ESCALATING COSTS

There is little doubt overall that compliance demands in relation to preventing tax evasion have become particularly prevalent around the world.

This, along with the various other regulatory requirements, mean compliance costs are inevitably rising. And they look set to go yet higher.

Over 50% of the audience at the Hubbis forum, for example, said they expected the cost of compliance for IAMs would rise by around 20% over the next 12 months or so.

The remainder opted for increases of either 50% or 100%.

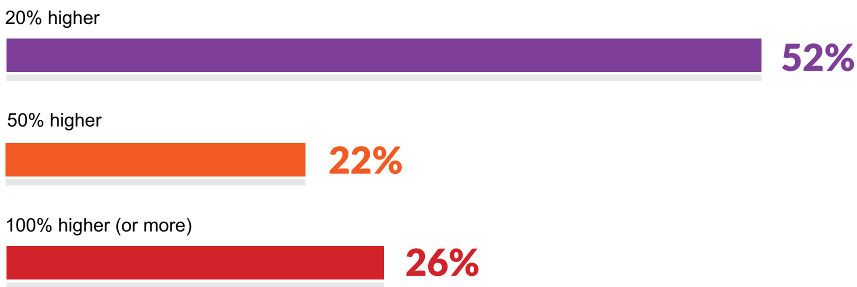
However, Harmen Overdijk, managing partner of CAIDAO Wealth in Hong Kong, argues that the key issue in relation to regulatory costs is that they scale upwards, making them more unwieldy for larger institutions.

"It's easier to outsource costs now thanks to advancements in technology and the number of firms able to deliver these services," he says. "Ten years ago you needed to be the size of UBS to deliver such services in-house."

Indeed, there is a risk that the bigger the institution, the larger the regulatory burden it faces.

"It is easier to interpret and manage rules when you are a smaller outfit," says Philippe Legrand, chief executive officer of London & Capital Asia. "When you have five people it's a lot easier to control them than when you have 100,000." ■

**HOW WILL THE COST OF COMPLIANCE CHANGE FOR INDEPENDENT FIRMS OVER THE NEXT 12 MONTHS?**




Source: Hubbis - Independent Wealth Management Forum 2015, Singapore

# Making sense of portfolios

*While investors already diversify their assets across multiple institutions and advisers, they face big challenges in trying to make sense of their portfolio and overall holdings. Tanmai Sharma, chief executive officer of Mesitis, says there is a solution.*

Ask any investor about which of their bank accounts out-performed last year and chances are that nine times out of 10 they won't be able to give you a straightforward answer.

Their wealth managers also struggle to provide up-to-date data to their clients.

Clients are risk averse and tend to spread their investments across multiple bank accounts. Each bank in turn sends a monthly paper statement to the client. Unfortunately, the fact that these statements are not electronic and in different formats makes getting a consolidated, single portfolio overview across all accounts much harder than it should be.

The human brain was not designed to handle large amounts of numerical data. For example, manually monitoring a portfolio consisting of more than a handful of securities isn't easy. A bond could get called, or mature, or fall sharply following adverse news and the investor may not be aware of it.

What clients need, instead, is a way to automatically consolidate all of their bank statements in one place. This data then needs to be presented such that critical information is prioritised. This is the point at which Tanmai Sharma, chief executive officer of Mesitis, gets excited. The company is part of the digital evolution taking place in wealth management and uses smart software to consolidate and present an individual's financial holdings in a visually stimulating and informative way.

"I see us as a data visualisation system," says Sharma. "I am here to help a customer make sense of his or her data and make decisions based on it."

**TANMAI SHARMA**
Mesitis

## UNBUNDLED VALUE

With almost two decades of experience on the trading floor focused on structured products, and armed with a degree from the Indian Institute of Management in Ahmedabad, Sharma founded the company to solve problems he himself faced as an investor.

"I was looking around town for a place where I could get institutional-level execution but bank-level custody, but that didn't exist," he explains.

So, being well-versed with execution platforms and having an intricate understanding of execution costs, Sharma set up Mesitis.

The company was originally conceived as a low-cost asset management and investment platform for Accredited Investors (individuals with the equivalent of at least S$300,000 in annual income, or S$2 million in net assets).

In the process of formulating its services, Mesitis developed a software platform which compiles and consolidates financial data for the clients, across all asset classes and currencies, bundled with the execution platform.

Clients then started to ask for the software on its own, leading Sharma to split the offering and unbundle the two components of his proposition.

"Now, we have two distinct products offered out of two different legal entities," he says. "One is the regulated entity which only does transactions; the other is the software entity which only provides information."

## DATA CHALLENGES

Inevitably, a key challenge Mesitis faced, admits Sharma, was access to data. In the US, for example, it is relatively straight forward to get an electronic data feed directly from a bank. "In Asia, banks are more hesitant."

On request, Asian banks are generally able to provide PDF statements. Unfortunately, PDF is not a format designed for data processing. So Sharma and his team built a technology solution around that; Mesitis' software first extracts the data from whatever electronic source (typically PDF but can also do CSV, SWIFT, etc), and it then applies an algorithm that "puts the data in the right box".

## ACCOUNT RECONCILIATION – ACCURACY NOT TAKEN FOR GRANTED

The next step is to aggregate and reconsolidate the data into a single report, and it was here that a surprise finding came to Sharma.

Sadly, it turns out, bank statements are not immune to the occasional error. This inconvenient fact was unearthed during Mesitis' reconsolidation process; a rule-based algorithm set up by Sharma's team with a combined 75 years financial industry experience.

Once an error is found, with client permission, the team works to fix the error directly with the banks issuing the statement. Sharma considers this a pivotal point of customer service; customers are happy and relieved when the errors are discovered and rectified.

## MAKING THE MOST OF THE POTENTIAL

Mesitis delivers the final report over a web browser in the form of an interactive web application, rich with analytical tools. Sharma believes the data Mesitis provides to clients is more informative. "We are going out of our way to make sure the data is complete. We are not sending clients a deluge of information. We try and give them information in an actionable format."

The market for the service which Sharma offers is growing, and he says he is signing-up clients quickly.

### *How Mesitis account consolidation works*

- ***Upload** – Customers send any number of bank and financial account statements in PDF, CSV, etc in electronic format via upload to Mesitis' secure cloud (recommended) or email. Mesitis can handle all asset classes and currencies*
- ***Consolidate** – Uploaded statements are anonymously processed by Mesitis' proprietary data extraction and consolidation engine. Processed data is usually accurate to the cent*
- ***Report** – The final consolidated report is generated in a secure web browser. The graphically pleasing report is accessible from any PC, tablet or smartphone, with a full suite of interactive analytics included*

Along with individuals, he is adding wealth managers, who use his platform to offer the much-needed service to their clients. "Account consolidation is the number one request that wealth managers receive from their customers," he explains.

"However, the traditional back office manual process is slow and expensive, resulting in the service only offered to their top clients. We are a solution to these wealth managers as our automated platform can process any large number of customers, quickly, accurately and at an extremely low cost." ■

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*We very much appreciate the participation and contribution of the following key individuals in the independent wealth management community to the content in this publication.*

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