2017

Wealth Management in Asia 2017

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WEALTH MANAGEMENT

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world

Foreword

I am pleased that BNP Paribas Wealth Management is again partnering with Hubbis to support the 7th edition of this important publication for Asia's wealth management industry.

The first half of 2017 saw most private banks and wealth managers in Hong Kong and Singapore achieve a very positive performance, both for themselves and their clients.

Yet this hasn't masked some of the broader challenges that the industry is facing in the region.

Business models are still predominantly based on transactional revenue. However, we have seen an increasing momentum towards managed assets, such as discretionary portfolio management, contractual advisory mandates and funds.

In addition, fintechs and other non-traditional players pose a real competitive threat, as they look to grab their slice of Asia's growing wealth pie.

Hence, innovation via digitalisation is an essential component of any strategy going forward. Investment into these areas as a core part of the overall offering is a priority to lead change and cultivate deeper relationships with the current and next generation of wealth management clients.

In an increasingly complex and competitive environment, the industry needs to focus on improvements in operational efficiency and enhancing the overall value propositions to service clients in a multi-faceted way like never before, in order to incrementally improve the client journey and enrich the user experience.

This publication covers these trends and more. I hope you enjoy reading this content.

PIERRE VRIELINCK
CHIEF EXECUTIVE OFFICER, ASIA PACIFIC
BNP PARIBAS WEALTH MANAGEMENT

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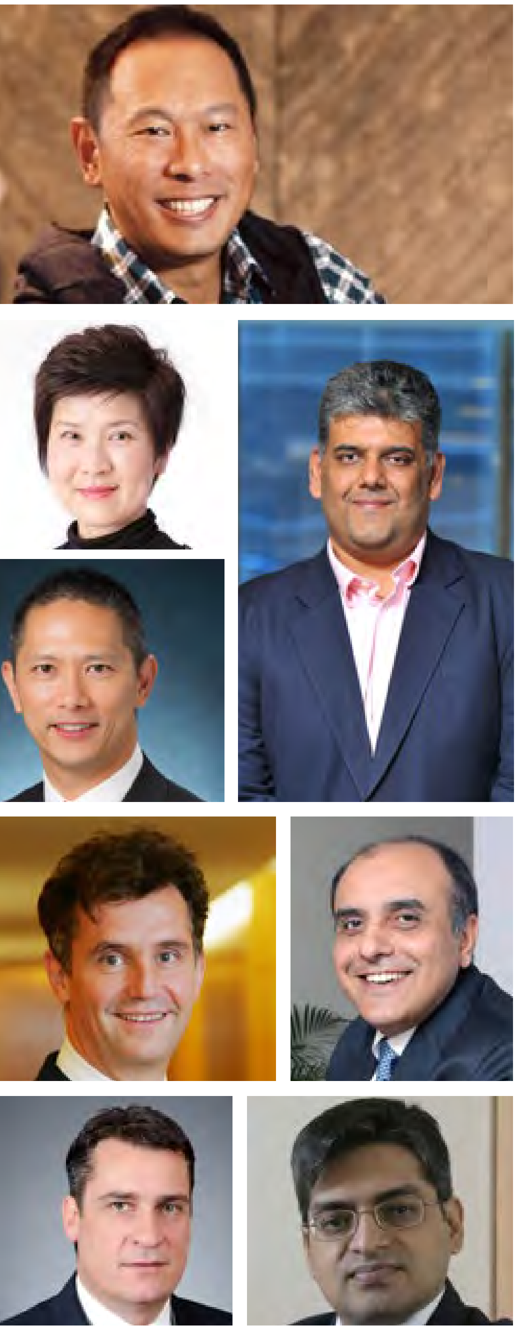


Business Strategy















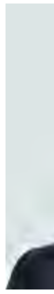
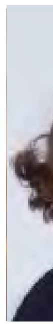
Family Wealth

Asset Management & Product Gatekeepers







Event Highlights

Co-published

Published by Hubbis. Printed in September 2017 in Hong Kong. © Hubbis (HK) Limited 2017

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Delivering a new wealth management experience

BNP Paribas Wealth Management is committed to enhancing its service offering in Asia, to remain relevant and respond to the changing industry landscape as well as new client expectations, says Pierre Vrielinck.

PIERRE VRIELINCK
BNP Paribas Wealth Management

HAVING RECENTLY TAKEN ON THIS NEW ROLE, WHAT ARE YOUR EXPECTATIONS AND THREE BIGGEST PRIORITIES?

There is one key expectation that I am very focused on: to continue the growth trajectory and strategy that have worked so well for us in the past.

We achieved an AUM CAGR of close to 15% from 2012 to 2016. Obviously, this is a strong momentum we need to ride on to deliver robust business growth for the rest of the year.

To enable us to deliver on this expectation, here are some of our top priorities:

- **Enhanced offering** - We are continuously improving our suite of service offerings to capture the significant market trends that play well to our clients' investment preferences. In particular, we see an increased momentum for managed assets and advisory services. We also invest heavily to build a more streamlined and efficient client experience throughout different stages of their relationship with us.

- **Digital transformation** - By harnessing digital technology to better engage with clients, we are actively working to transform the customer experience throughout their banking life cycle with us. An effective integration of service across omni-channels is crucial to delivering a positive experience at every touchpoint in the client journey.

- **Operational efficiency** - As a good practice of responsible management, we are constantly looking into ways to enhance our cost structure by improving overall operational efficiency and effectiveness. Operating in today's disruptive environment, it is very important to leverage best practices and capabilities across our teams to improve bottomline and increase profitability.

HOW DOES THE IMPORTANCE OF ONSHORE OPPORTUNITIES COMPARE FOR YOU WITH HONG KONG AND SINGAPORE?

According to the Capgemini Asia Pacific Wealth Report 2016, Asia Pacific HNWI wealth could surpass USD42 trillion by 2025, which represents a massive potential for this industry.

We have established a strong offshore presence in Hong Kong and Singapore, in addition to long-standing historical presence in China, India and Taiwan. This dual presence helps to put us in a unique position to service clients and tap the full potential that APAC markets can bring.

HOW IMPORTANT TO YOU IS DIGITAL, AND WHY?

Technology has reshaped customer expectations and is rapidly changing the ways we engage with clients.

As a leader in the financial industry, we must adapt our business model to meet this evolving consumer dynamics.

A customer-centric organisation builds an operating model around a deeper understanding of its clients, fostering a culture that places the customer at the heart of the decision-making process.

We recently unveiled our new wealth management experience for clients in Asia, in line with our global response to the changing industry landscape. BNP Paribas' Client Experience programme involves a series of groundbreaking innovations and solutions which complement our existing relationship-driven business model, serving clients in multifaceted ways.

These new digital solutions will enable our relationship managers (RMs) to deliver products and services by offering a seamless user-experience across multiple channels.

WHAT ARE THE EXPECTATIONS THAT CLIENTS HAVE OF YOU? IS THIS CHANGING?

Against changing client demands and the emergence of fintech competitors, the wealth management industry in Asia is under pressure to reinvent business models and develop new propositions.

Our global Client Experience programme, which we launched recently in Singapore, is a testament to our digital transformation commitment and enhanced service delivery to our clients.

HOW ARE YOU REMAINING RELEVANT AND IMPROVING YOUR QUALITY OF SERVICE?

We see a greater adoption of technology across the board in the banking industry due to the imminent transfer of wealth and a generation of younger, technology-savvy clients.

We leverage new technologies to develop digital tools with a view to reinvent client experience in order to meet clients' evolving needs and expectations.

Our goal is to deliver a model that is relevant to our clients.

WHICH PRODUCTS AND SERVICES ARE YOU TARGETING, AND WHAT IS DRIVING THIS?

We are a full-service bank with an open architecture platform which means that we are able to offer a broad selection of high-quality investment choices to clients.

Our full range of wealth management products and services include investment services and financial solutions as well as the more lifestyle offerings such as yacht and jet financing.

Our 'One Bank' model enables us to extend the entire suite of products including that of the corporate and institution bank to clients.

We observe the following trends which present further opportunities to nurture stronger client relationships:

- An increased uptake in APAC markets for managed assets including discretionary portfolio management and contractual advisory mandates.
- An increased preference to achieve social benefits alongside financial gains. Though social impact investing is still a relatively new concept, growing interest in this asset class is making it an essential component in our wealth management solutions.

HOW IMPORTANT IS TRANSPARENCY FOR PRIVATE BANKS AND WEALTH MANAGEMENT FIRMS IN ASIA?

As a principle of business ethics, we are committed to working in the best interests of our clients, always.

We are committed to upholding ethical business conduct in order to be the trusted choice for our clients and also our stakeholders.

This includes increased efforts in training and certification of our RMs to make sure our front-office teams are well equipped to address client needs.

We remain firmly committed to building a healthy wealth management industry in APAC and beyond. ■

DBS Bank's four key factors for wealth leadership

For Tan Su Shan, the route to wealth management success in today's world is based on delivering a combination of what she has termed "the four d's" – digitalisation, data, democratisation and domesticity.

The ever-complex and competitive world of wealth management demands a multi-pronged strategy that cuts to the heart of what the landscape – and clients' needs – will look a decade or more from now.

For Tan Su Shan, this comes down to four key dimensions: digitalisation, data, democratisation and domesticity.

As a result, her focus as group head of consumer banking and wealth management at DBS Bank, is on balancing the many initiatives underway to ensure her business is progressing – evenly and consistently – on all fronts.

Ultimately, this is how the bank can meet its overriding objective of creating stickiness by embedding itself in the everyday lives of its customers.

"We want our customers to feel we know them and what they need," explains Tan. "We also need to ensure everything we do is contextual, to make it relevant to each customer.

THINKING LIKE A MILLENNIAL

Her approach is rooted in the DBS digital wealth journey, which has been well-documented since it began in 2011.

This isn't simply a project – it is a business. And it has been inspired by the 'Googles' of the world in terms of striving to create a truly lasting relationship through a client experience that breeds relevance, timeliness and simplicity.

It is all about making banking joyful, as Tan describes it.

In short, DBS has essentially thrown away a lot of the legacy infrastructure and systems to pursue its digital transformation agenda by re-engineering the bank.

This shows how it thinks in relation to the future of wealth management – that

TAN SU SHAN
DBS Bank

the biggest threat is likely to come from internet players like Alibaba, Tencent, Google and Facebook.

Indeed, as financial institutions grapple to win customer mindshare to stay in business, Tan is acutely aware of the need to win the digital game.

The fintech philosophy and commitment of hundreds of millions of Singapore to digital banking is clear evidence of this.

As are the best practices that DBS adopts from consumer industries, including usability testing, human-centred design and 'Uber-like' ratings to solicit constant feedback from its clients.

An important evolution of the offering came in February 2017 when the bank launched via a mobile app its latest enhancements in the form of DBS iWealth to all clients – including DBS Treasures, DBS Treasures Private Client, DBS Private Bank.

This empowers customers with quick and intuitive access to services, product information and research.

Plus, they can personalise their profiles and customise links to tailor insights and analysis according to their preferences and holdings. Equity trading and funds investment have also been incorporated into the platform.

Highlighting the culture of collaboration that the bank tries to drive, Tan says that the new DBS iWealth mobile app was tested with over 3,000 clients before rolling it out. Today, more than 70% of DBS' wealth clients are already online and mobile banking users with the bank and are actively managing their wealth on these digital channels.

DYNAMIC IN DATA

The effective use of data is also central to wealth management success today. Although DBS acknowledges that it might have been a little early to market in its collaboration with IBM via Watson, it has done nothing to dampen the bank's views on the potential for bringing artificial intelligence (AI) to wealth management.

Indeed, walking the digital talk requires a certain amount of experimentation with AI.

This can then lead to a better understanding for senior management of the economic models around transformation to digital. "By leveraging Big Data, biometrics and intuitive design, we are focused on delivering relevant advice in a timely manner," says Tan.

Plus, it has focused on ensuring that its relationship managers (RMs) buy-in to the blended, multi-channel approach, to raise the likely chances of success.

For example, the wealth offering has learnt from the DBS retail business in this way, with RMs operating from iPads.

BRINGING WEALTH TO ALL

Democratising wealth management, as the third dimension of success in today's landscape, is closely connected to the rise of robo-advisers, fintechs and AI more widely – and in turn, linked to making advice pretty much free for customers.

With more and more such tools now commonplace, individual advisers and institutions must be able to stand up to the performance and quality of advice of competitors.

To make this a stark reality, clients who have advisers at three different banks can now use AI to compare the performance of each of them.

"The increased amount of transparency, scrutiny and accountability is a good thing for customers."

"The increased amount of transparency, scrutiny and accountability is a good thing for customers," says Tan. "And people don't need to all be rich anymore to access global products and advice."

Given the reduction in fees that is happening at the same time, advisers therefore need to work harder to keep their clients.

This shines the spotlight yet brighter on the importance of developing tools to make both offline and online relationships with customers stickier and more tangible in relation to the value-add.

"With so much research, information and so-called 'advice' now readily available, traditional wealth managers need

Real estate advantage

Real estate is one sector which plays to DBS' strengths.

This has been helped more recently by the stellar success of Singapore's REIT market.

"Many clients have made money in REITs with us," says Tan. "Either we have IPO'd them into REIT, or helped them to diversify concentrated assets into a globally diversified REIT portfolio, or given them access to other revenue-generating assets."

The Mapletree Investments deal in March 2017 to raise USD535 million for its Mapletree Global Student Accommodation Private Trust is a case in point – with this being the first trust in Singapore that focuses on this resilient and strong-yielding sector.

to morph and embrace digital tools as part of a new paradigm – or end up going the way of the dinosaurs," explains Tan.

TAPPING DOMESTIC FLOWS

Developing relationships in this way will also enable a bank to tap into a relatively new yet exciting phenomenon for wealth management in Asia – the growing volume of funds being repatriated, coupled with investments by offshore investors into local markets.

These two trends are the upshot of various regulatory, tax and investment initiatives aimed at fostering transparency and enabling governments to liberalise and develop their own capital markets. These include the Common Reporting Standard (CRS), tax amnesty programmes in countries like Indonesia, and schemes such as Bond Connect to link investment markets in Hong Kong and mainland China.

In turn, Tan says product innovation and new investment opportunities are following closely, especially in countries like Indonesia, in tandem with efforts to engage local regulators.

This has been an important factor in driving the DBS strategy in key local markets across Asia. For example, Tan says the bank is looking to bring its private banking offering to more countries via DBS Treasures Private Client; this is as an upgrade to existing Treasures customers who have over USD1 million-equivalent in AUM.

This will begin in Taiwan in November 2017, followed by Indonesia in February 2018, with both initiatives running alongside the ANZ integration. "This will help us to lift our game in onshore wealth management," adds Tan.

This is also vital as many locally-based entrepreneurs continue to grow their onshore wealth. "We need to offer a holistic, one-bank solution," she explains. "This is where our value-add is and will enable us to stay ahead of the curve and continue to innovate."

Doing this requires proper estate and succession planning solutions able to be delivered onshore, along with insurance products. Digital is an inevitable next step, as the bank has achieved in India with digibank, the country's first mobile-only bank. In Mainland China, meanwhile, DBS has plans to further engage and connect with its customers by leveraging the social media platform WeChat to provide its services in the last quarter of 2017.

Getting greener

Sustainability is a further key theme for DBS, adds Tan. Indeed, it was the first bank in the world to launch a listed social sustainability bond, in July 2017.

With IIX (Impact Investment Exchange), it closed the Women's Livelihood Bond, listed in Singapore.

This innovative USD8 million bond provides loans to social enterprises and microfinance institutions, positively impacting the livelihoods of more than 385,000 women in Cambodia, the Philippines and Vietnam.

It received over 60% of its investment capital from Asian investors, with the majority being HNW customers of DBS.

APPEALING TO ITS OWN KIND

Yet rather than simply focus on geographies to drive strategy, Tan is also pinpointing key industry segments and customer profiles with which the DBS offering has particular allure.

For instance, its digital bank reputation puts it in sync with Asia's new wealth.

"We have been onboarding a lot of individuals who are part of the new wave of wealth creators across the technology, data and digital sectors, who might be from any country around the world," she says. ■


A HERITAGE
OF TRUST

Finding a tangible role for robos and AI

The extent to which robo-advisers and the application of artificial intelligence (AI) is gaining any real ground in Asian wealth management is under debate. But there is certainly evidence of a challenge to the traditional investment approach.

Panel speakers

- ***Bhaskar Prabhakara,*** *Founder & Chief Executive Officer, WeInvest*
- ***Alex Ypsilanti,*** *Chief Executive Officer and Co-Founder, Quantifeed*
- ***Chandrima Das,*** *Chief Executive Officer & Co-founder, Bento*
- ***Artur Luhaäär,*** *Chief Financial Officer & Co-Founder, Smartly*
- ***Duncan Klein,*** *Head of Product Management, BondIT*
- ***Chia Wee Kee,*** *Associate Partner, Synpulse*

There seems to be a misalignment of perceptions about where the Asian wealth management industry is currently at with digital, or technological advancements generally.

Although a hot topic of discussion continues to be how to consolidate and automate the investment process, the extent for the time being of any real disruption to the investment approach remains in question.

The majority of institutions across the region are still at a stage where they are digitising existing manual processes – while the public opinion seems to be that someone is on the verge of building a robot that will know where markets go.

What's needed, agree industry players, is greater clarity over what robo-advice and AI is, and what its real potential to impact the investment function – not just distribution.

These were among some of the key observations of speakers at the annual flagship Hubbis Digital Wealth event in Singapore in June.

FINDING THE RIGHT STARTING POINT

Robo-advisory mostly gets analysed from a point of view where people ask if it is 'better' than existing solutions.

However, it also plays an important role in empowering and enabling people to invest, who couldn't do so before.

Given that it is a completely new tool that offers functions and scale that hasn't existed before, it's more a case of the overall pie getting bigger – and less so of dividing up existing slices, say some fintechs and robo-advisory specialists.

Bhaskar Prabhakara
WeInvest

One of the hurdles that robo-advisers face stems from the generally long sales cycle involved in selling enterprise software to large institutions.

62%
Poll-respondents who, despite the hype about AI, acknowledged that they don't really understand what AI is, in the context of wealth management

Chandrima Das
Bento

Inevitably there are a number of challenges involved in deployment, integration and engagement.

Yet the majority of poll respondents still believe that banks should invest in partnerships with fintechs – instead of developing their own strategy.

90%
Poll respondents who said banks should invest in partnerships with fintechs – instead of developing their own digital strategy

The role of AI in robo-advisory, meanwhile, is much wider (but also limited) than the way it is currently being positioned.

Alex Ypsilanti
Quantifeed

However, despite the hype about AI, many industry professionals don't really understand what AI is, in the context of wealth management, according to a poll of delegates.

ADAPTING AND EVOLVING

Some of the robos around the world which speakers highlighted for their superiority, have been successful for a combination of reasons that Asian-based fintechs can learn from.

For example, Betterment is cited as having a phenomenal user experience given the fact that it is simple and engaging. The firm has also been open minded to adapt its business model. For instance, rather than stick to offering a purely digital experience, it has also hired financial advisers to access different segments and to improve the overall digital journey where more of a hybrid advisory approach is preferred by certain customers.

Artur Luhaäär
Smartly

MAKING A REAL IMPACT

For robos to really make an impact in Asia, some industry practitioners believe that the client voice needs to be heard much earlier in the process. This will also help in making robo-advisory more useful in serving their real needs.

Chia Wee Kee
Synpulse

67%
Poll-respondents said B2C robo-advisers will be more successful than B2B ones

Yet the industry needs to keep in mind that from an investment standpoint, it is not a silver bullet for all market conditions, and arguably works better in trending markets, or over the very long term, when compared with active models.

But the matter of alpha aside, its main value-add can be seen through the same lens that is used to settle an active versus passive debate – by recognising its risk-reducing role, as a complement to other solutions.

Also, robos should be regulated and audited like any other discretionary portfolio offering. This would subject them to fiduciary standards and duties of care.

Duncan Klein
BondIT

For a digital approach to be innovative for the investment engine – and not just be about distribution – there is a growing view that the second or third generations of robo-advisers will have far better investment processes and utilise a wider range of products.

As a result, it seems like it will become more meaningful as AI improves. For the time being, however, digital is more about distribution. ■

How Credit Suisse is redefining client focus

On the back of a high-performing start to 2017, the Swiss private bank's growth goals in Asia rely on providing a more focused service to those clients to which the bank believes it can deliver real value, explains Francois Monnet.

There is certainly no sense of complacency in Francois Monnet's tone. Despite an impressive set of figures for the first few months of 2017, Credit Suisse's head of private banking for Greater China knows that maintaining this momentum relies not on markets, but on being smarter about which individual clients to target going forward.

Yet he is quick to clarify that this does not mean taking the traditional approach to segmentation, by client AUM alone.

Instead, it involves a methodical client-mapping process to assess from where the bank is getting its business.

It can then determine to which clients it needs to allocate more of its time and resources.

"This is all to ensure that we really provide the best possible service to clients who are also showing a commitment to us," explains Monnet. "This is how we can differentiate [ourselves] and integrate our offering with the needs of the clients we want to invest in."

The spirit of the client focus, therefore, is akin to hard-wiring the account-planning process.

This type of pragmatic approach is the way the bank believes it can create a more sustainable business model, given the realities of an environment of high costs, tight margins and growing competition – especially from industry disruptors, but also considering the increased sophistication and high standards of Credit Suisse's key clients, ie the Asian entrepreneurs.

"We need to be disciplined, otherwise we will be under-investing in our most valued clients," adds Monnet.

FRANCOIS MONNET
Credit Suisse

BUILDING ON A STELLAR START

A sense of complacency would be understandable on the back on the strong performance Credit Suisse saw in Asia Pacific in the first quarter of 2017. Within the bank's Asia Pacific divisional model, its wealth management,

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BAIN FINANCIAL SERVICES PRACTICE

From banking and insurance to wealth management and securities distribution, Bain has dedicated financial services teams serving all major areas of the financial services industry, including retail banking, private banking and wealth management, clients and capital markets business, asset management, life and property insurance, risk, liquidity and capital management. Our work draws on more than 40 years of experience in the field and the expertise of Bain's 5,000 professionals in the world's most important financial centers.

Since 2009, Bain has collaborated with China Merchants Bank to publish the *China Private Wealth Report* every other year. The report is very well received in the FS industry and beyond, and its rich data and insights have frequently been quoted when it comes to the private wealth and private banking market.

Bain has deep expertise in financial services, but we also look beyond the industry and draw upon our capabilities experience. We tailor these offerings to the needs of our financial services clients to help them solve problems or pursue opportunities in many strategic and operational areas such as growth strategy, customer strategy and NPS, organizational effectiveness, operational excellence, mergers and acquisitions, change management and performance improvement.

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financing, and underwriting and advisory teams are working more closely together to deliver integrated advisory services and solutions to target UHNW, entrepreneur and corporate clients.

In what the bank refers to as its 'Wealth Management & Connected business' (WM&C), encompassing its activities across wealth management as well as financing, underwriting and advisory for this important client group, it achieved record net revenues of CHF589 million and adjusted pre-tax income of CHF205 million – up 44% and 67%, respectively, compared with the first three months of 2016.

Further, in private banking within its WM&C business, Credit Suisse recorded net new assets (NNA) of CHF5.3 billion (USD5.4 billion) and reached record AUM of CHF177.4 billion, while increasing both gross and adjusted net margins, up 10 basis points and 1 basis point respectively year-on-year, supported by higher loan and deposit volumes.

Its stated objective now, is to serve Asian entrepreneurs throughout their lifecycle, increasing synergies and efficiencies across the franchise, while managing costs and reducing complexity.

MAINTAINING MOMENTUM

The business has continued to gain momentum in the past few months, reveals Monnet.

However, implementing a tighter and more focused approach to those clients the bank serves is expected to help fuel a more stable and predictable growth trajectory going forward. Fundamentally, this means allocating time and resources to the target clients, and delivering a more comprehensive and all-encompassing service to these clients who really need and want it.

> **"[We want] to ensure that we really provide the best possible service to clients who are also showing a commitment to us. This is how we can differentiate [ourselves] and integrate our offering with the needs of the clients we want to invest in."**

At the same time, what has also been happening in too many cases, says Monnet, is that the clients at the lower end of the bank's wealth spectrum are receiving insufficient attention and service.

One option to remedy this issue, for example, is to offer these clients a value proposition that is more along the lines of a managed solution using discretionary mandates.

Having said that, Monnet says he has been encouraged by the relatively large number of clients who have decided to give Credit Suisse a larger share of their wallet.

For Credit Suisse's private bankers, meanwhile, this is freeing them up to be able to spend a more meaningful amount of time with clients who can take advantage of the depth and breadth of bank's platform, balanced sheet capability and its full range of products and solutions, including the holistic and integrated service offering via a seamless integration of its private banking and investment banking businesses.

DELIVERING THE PROMISE

Key to getting this strategy working in the way intended, is for Credit Suisse to ensure it builds on the offering for its key target clients.

In short, this means remaining focused on the product offering and risk management to ensure sustainability across the business, explains Monnet.

More specifically, on the product side, he says a significant number of initiatives are underway to continuously bring to market those elements that create real points of difference and differentiation – especially in comparison with Chinese and regional banks.

For example, the bank has grown its prime services for private banking (PS4PB in short) business by a multiple in 2016. "We believe this is an anchor business for family offices and some of the more sophisticated clients," explains Monnet. "They want a service which allows them to do more than just going long on a specific sector. Instead, they want to invest in futures, swaps and other derivatives to deploy more complex strategies."

This wasn't possible previously through an investment adviser within the private banking due to platform constraints. So

Important note:
1. BEA Union Investment Asia Pacific Multi Income Fund (the "Fund") seeks to achieve income and long-term capital growth by investing in an actively managed portfolio of debt securities, listed REITs, and other listed securities in the Asia Pacific region. **2.** The Fund invests in emerging markets and may be subject to higher liquidity and volatility risks. **3.** The Fund invests directly in listed REITs, equities and managed funds, and is thus subject to the risks generally associated with such asset classes, including but not limited to liquidity of the asset class, changes in investment sentiment, political environment, economic, business and social conditions in local and global marketplace. **4.** The Fund may invest in lower-rated fixed income instruments, including below investment grade and non-rated debt securities, which are subject to greater credit and liquidity risks than higher-rated securities. **5.** The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Fund. Investors should note that the distributions paid out of capital amount to a return or withdrawal of part of the unitholder's original investment or from any capital gains attributable to that original investment. Such distribution may result in an immediate reduction of the net asset value per unit. **6.** In terms of currency hedged class units, adverse exchange rate fluctuations between the base currency of the Fund and the class currency of the currency hedged class units may result in a decrease in return and/or loss of capital for unitholders. Over-hedged or under-hedged positions may arise and there can be no assurance that these currency hedged class units will be hedged at all times or that the manager will be successful in employing the hedge. **7.** Investors may invest in RMB (Hedged) units. It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. There is also no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investors' investments. There is no guarantee that the hedging strategy will be effective and investors may still be subject to the RMB currency exchange risk. **8.** The Fund may enter into futures contracts for hedging and investment purposes. Given the leverage effect embedded in futures contracts, the Fund may be exposed to significant losses. **9.** Investors should not make an investment decision based solely on this material.

Capture High Yield Opportunities and Capital Appreciation in the Asia Pacific Region

Annualised dividend yield in June for A USD (Dis) 6.1%[1]

(dividend is not guaranteed and distributions may be paid out of income and/or capital [Important note 5])

BEA Union Investment

Asia Pacific Multi Income Fund

BEA Union Investment

- Focuses on high-yielding Asia Pacific bonds and equities
- Year-to-date performance: 6.7%[2]; 1-year performance: 6.0%[2]
- Low volatility with 3-year annualised volatility of 6.6%[2]
- Morningstar Overall Rating[3]: ★★★★★

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1. Source: BEA Union Investment Management Limited. Annualised dividend yield in June = (dividend of June x 12) / NAV of May x 100%. The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Fund. Such distribution may result in an immediate reduction of the net asset value per unit. Dividend only applies to distributing classes and is not guaranteed. Past dividend record is not indicative of future dividend likely to be achieved. Please note that a positive distribution yield does not imply a positive return. Investors should not make any investment decision solely based on the above information. You should read the relevant offering document (including the key facts statement) of the Fund for further details including the risk factors.
2. Source: Lipper, as at 30 June 2017. Performance and annualised volatility mentioned refers to A USD (Dis). Performance is calculated in USD on a NAV to NAV basis. Gross income is re-invested. Past performance: YTD: 6.7%, 2016: 6.3%, 2015: 0.4%, 2014: 2.7%, 2013: 5.1%, since launch (11 May 2012) to 31 December 2012: 18.9%.
3. Source: © 2017 Morningstar. All Rights Reserved. Data as of 30 June 2017. The rating is for A USD (Dis).

Investments in the Fund are subject to investment risks, including the possible loss of the principal amount invested. For full details and risk factors of the Fund, please refer to the explanatory memorandum of the Fund. Investors should also read the explanatory memorandum of the Fund for detailed information prior to any subscription. The information contained herein is only a brief introduction to the Fund. Investors should be aware that the price of units may go down as well as up as the investments of the Fund are subject to market fluctuations and to the risks inherent in all investments. Past performance is not indicative of future performance. The advertisement and website have not been reviewed by the SFC in Hong Kong. Issuer: BEA Union Investment Management Limited the firm introduced a new crop of account managers in the private banking business who sit in the bank's prime brokerage team.

"They are focused on servicing the types of clients whose lower volumes and lower intensity of trading would not qualify them for the investment bank," explains Monnet. "But we can still offer these clients the services they need from time to time."

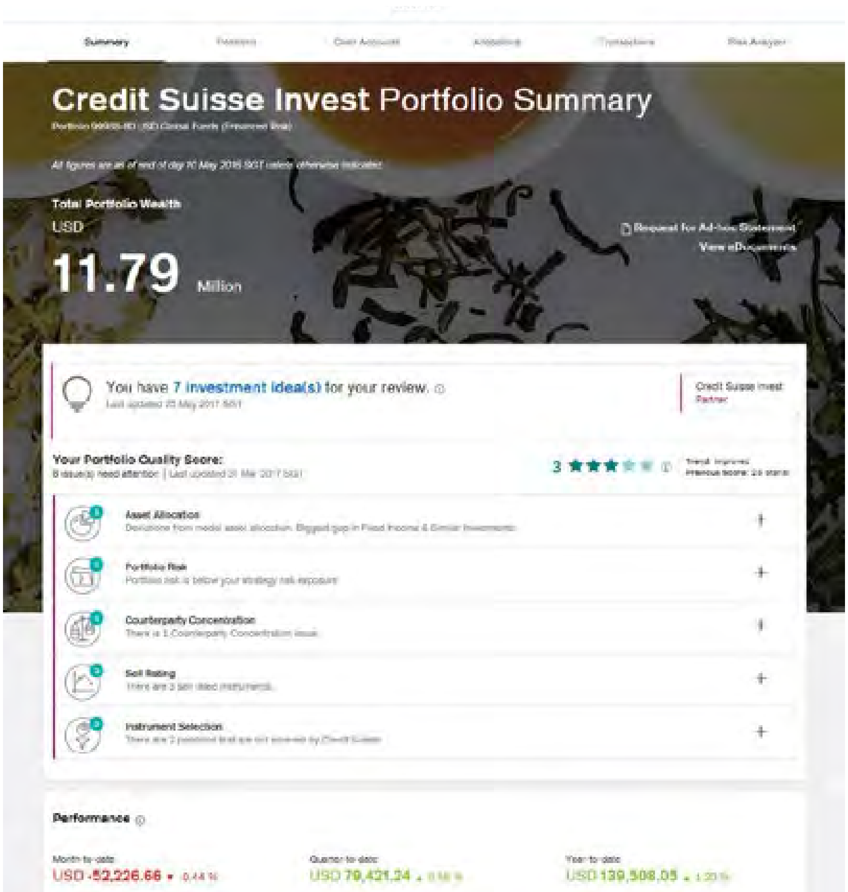
A second priority for Monnet, and for the private banking business in general, is to build on efforts made to date in terms of Credit Suisse Invest.

Launched in the second quarter of 2017, this is a human-led, digitally-enabled advisory mandate that provides a structured portfolio-based approach to investing.

The aim of this new advisory mandate is to offer personalised and individualised investment strategies, continuously monitored for their adherence to relevant risk parameter, as well as to propose a transparent fee structured with pre-agreed service offerings by client segments. This advisory service can be accessed via Credit Suisse's digital Private Banking app and delivers suitable and actionable investment recommendations on a daily basis and 'on the go'. Ultimately, such an advisory service drives greater alignment of interest with the bank's clients.

This enables clients to do a variety of things: benefit from the views of the Credit Suisse chief investment office, and receive contextualised investment advice tailored to their risk profile and chosen strategy.

"[Credit Suisse Invest] gives clients access to a trailer fee-free value proposition. This is the first time in a transparent way that clients will have full transparency on what they pay for."



In addition, Credit Suisse Invest monitors and provides clients with a monthly update on the quality of their portfolio through the bank's proprietary portfolio quality score.

"It gives clients access to a trailer fee-free value proposition," adds Monnet. "This is the first time in a transparent way that clients will have full transparency on what they pay for."

While it will still take some education to convince Asian investors of the benefits of paying an all-in fee, he is confident about achieving a 30% penetration over the mid term.

Indeed, the investment the bank has made more broadly in digitisation is also paying off in terms of it attracting both clients and RMs to join the platform, he adds. ■

Confronting the compliance burden

Our 5th annual event for the compliance community in Asian wealth management was an important and timely gathering in Singapore of 300-plus senior practitioners across all segments of the industry.

Intense regulatory scrutiny and complexity is the new norm in Asian private banking and wealth management.

In the wake of challenges stemming from tax-related initiatives, scandals like 1MDB and control failings like those at BSI, Falcon Private Bank and others – organisations of all types and sizes are grappling with how to stay compliant, yet in way which also ensures their business remains viable.

This is not only due to the volume and complexity of the rules themselves. Trying to implement new processes, systems and people, for instance, is impacting the business from the perspective of the required time, resources and investment to stay compliant.

Encouraging RMs and client advisers to 'live' KYC/AML and related requirements – rather than need to be forced to follow them – is a key goal for many senior management and heads of compliance.

There are ever-louder calls from within the industry for the focus to be on formulating more practical and operationally-feasible regulations. There are various other potential solutions.

Standardisation coupled with IT solutions can alleviate certain aspects of the burden and the need for more headcount. As can greater collaboration across the organisation, along with a greater effort by front-line staff to play their part as the 'first line of defence'.

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There is also growing belief among industry insiders that compliance needs to evolve. It should no longer be a departmental function, but rather an attitude, a culture, a mind-set.

Yet one of the biggest complaints heard across heads of businesses and compliance teams, however, continues to be the challenge in finding enough competent and experienced personnel to fill the roles that have been created.

Those firms which can find a way operationally to deal with the requirements will potentially create a competitive advantage, simply by them being able to think more critically and actively. ■

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Orbium

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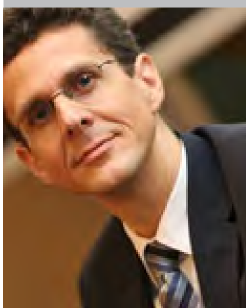

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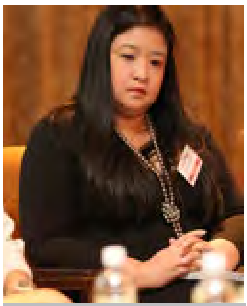

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How Lombard Odier is making inroads in Asia

The 'Rethink Everything' philosophy that has fueled the growth of global wealth manager Lombard Odier has allowed it to protect its clients' wealth for 221 years and through 40 financial crises. In Asia, the firm is pursuing a targeted offering and partnership strategy.

Lombard Odier has grown stronger by re-evaluating and re-thinking the world around it, using imagination and innovation to create different perspectives for its clients and itself.

In Asia, the firm has attracted clients in the discretionary portfolio management space and pursued a unique strategy to tap onshore wealth through partnerships with key financial institutions in the region.

Indeed, Vincent Magnenat, chief executive officer in Asia, foresees a brave new world for those international private banks prepared to rethink the future and opportunities.

The current shake-up in the industry follows the big dose of regulatory reality in terms of the Common Reporting Standard (CRS), tax amnesty programmes and other initiatives aimed at fostering transparency.

These trends suggest there will be an increasing flow of funds back onshore.

At the same time, as regulators across the region look to liberalise their own markets, there will be less of an incentive for wealthy individuals in a particular country to look offshore for investments or other services.

This all makes it more important than ever before to find new ways to access HNW and UHNW clients within local markets across the region for new assets.

Lombard Odier is focused on doing just that, with Magnenat spearheading the charge. "I think that onshore has a beautiful future, but to reach that spot, the institutions involved need the resources and people with talent," he explains.

With this in mind, the bank has forged partnerships with local wealth management players which it considers to be leaders in their respective markets. These include Kasikornbank (KBank) in Thailand, and UnionBank of the Philippines.

VINCENT MAGNENAT
Lombard Odier

RESHAPING ASIAN PRIVATE BANKING

The onshore dynamic presents a significant rethink to the model of international private banking in Asia.

"I think this has completely changed over the last decade," says Magnenat. "So we have to understand the value that we can bring to the table, which is different to the value that exists onshore."

Lombard Odier recognised this in Thailand, for example, several years ago. And in late 2014, it entered into its partnership with KBank, the country's second-largest bank by market capitalisation.

The aim was to create a win-win partnership for both parties. For the Geneva-based wealth manager, it was a route to entering the Thai market in a significant way and leveraging the KBank network. For KBank, it can tap the experience and heritage of the Swiss firm to help its HNW clients to invest globally using Lombard Odier's safe and performant investment strategies and to fulfil their full 360-degree family wealth management needs.

Serving the local community more effectively and comprehensively while holding onto its market share was a key driver for KBank. "With the positioning we have, we believe that we can bring value onshore, without being [physically located] onshore," explains Magnenat.

Essentially, this can be achieved by delivering customised solutions that local players need to be competitive within their own marketplace.

A recent, practical example of this value of a local partnership can be seen by the initiative between Lombard Odier and UnionBank to co-develop funds for private client investment.

The two banks are co-managing the risk-based funds as the core investment vehicle for UnionBank's private banking clients onshore in the Philippines – to enable them to grow and preserve the liquid portion of their assets through the expertise of Lombard Odier.

"By co-developing and co-managing these funds, UnionBank's clients will be able to invest globally onshore and draw on best-in-class global investment solutions for the first time," said Magnenat at the time of the announcement in March 2017.

More broadly, he also sees some growing interest among Asia's wealthy in impact investing, especially with the new generation. This is the kind of offering that international private banks can bring as a way to differentiate themselves, he adds.

BRAND BUILDING

Its ever-growing reach across Asia will no doubt contribute to the bank becoming better-known within the region – something that has been gradual to date but, at the same time, which has been in line with the DNA of Lombard Odier as not wanting to be 'everything to everyone'.

Magnenat says feedback from the market has been positive, both from clients and those RMs he interviews.

"We are now attracting many more senior RMs," he adds. "And what is also very encouraging for us is that every time we start to engage with clients, and we explain who we are and our values, we see greater interest. The question we always get from [clients] is, why have they not heard of us?" ■

12-month roadmap

Magnenat, who also continues to oversee Lombard Odier's Asia private banking business from his Singapore base, has a clear vision for what he wants to achieve over the next 12 months.

"The priority for the bank is to continue to grow our business on the three pillars of growth we have defined," he explains.

"[These are] developing our RMs, while also continuing to look at opportunistically at potential new hires across the region; enhancing our teams; and continuing to deliver on existing partnerships as well as exploring new ones."

More specifically, he is focused on further building the family offices aspect of the proposition, by delivering the Lombard Odier platform both to single and multi-family offices.

"As a business, we apply the same family principles upon which we were founded and we are here to accompany Asian families and their networks," he adds, "to safeguard their interests, grow their assets and help them to pass these onto the next generation."

One of the challenges he acknowledges that he will face, however, is in terms of recruitment.

"The new generation of RMs want [to work within] a completely different model, because our industry is changing," says Magnenat.

"Technology is changing everything, and this is affecting RMs in private banks, too."

Finding substance amid the digital hype

The end-game for digital tools for relationship managers (RMs) at private banks in Asia should be to increase sales / revenue – followed by spending more time with clients, and then lowering the admin burden. This requires investment in the right way, with front-line buy-in and also the metrics to keep digital goals on track.

Ultimately, RMs will use technology that supports their value proposition towards clients, but only if it is well-designed and has a simple user experience, according to senior industry practitioners.

To achieve this, institutions need to treat RMs like clients, building it in conjunction with the front-line, not for them.

Although this is a stated goal for most players, a lot of them are still caught up in the process of fixing the basics.

Where they need to be, is introducing new RM workplaces to allow their client-facing advisers to manage their business more efficiently, with more data-points and information to provide a better client service.

Indeed, more than three-quarters of poll respondents at the annual flagship Hubbis Digital Wealth event in Singapore in June, said they think the quality of investment advice from by RMs who actively use digital tools is better than those RMs who don't.

Technology-enabled transformation is, therefore a big priority for many institutions.

GETTING THE MIX RIGHT

To get their bankers and client advisers working more effectively and productively, how some of the more forward-thinking, digitally-minded private banks are now spending money on digital is evolving.

At Credit Suisse, for example, after the bank started by digitising the client experience in 2014, it now spends

Panel speakers

- ***Urs Lichtenberger**, Director, Client Platform, Asia Pacific, Credit Suisse*
- ***Evy Theunis**, Head of Wealth, Regional eBusiness Department, Consumer Banking Group, DBS Bank*
- ***En Lai Yeoh**, Head, Digital Strategy and Content, UBS Chief Digital Office, APAC, UBS Wealth Management*
- ***Smita Choudhary**, Executive Director, Head, Digital and Business Transformation, Bank of Singapore*
- ***Urs Palmieri**, Director, Financial Services Advisory, Performance Improvement Strategy, EY*
- ***Ryan Burdick**, Senior Vice President, Global Head of Sales, Xignite*

Urs Lichtenberger
Credit Suisse

money to digitise the full value chain. This encompasses all aspects of the business, from further expanding the client experience to automating processes like client onboarding.

The bank is also working with fintechs to capture innovation, but only where it makes sense.

Evy Theunis
DBS Bank

At DBS, meanwhile, aside from the desktop applications to manage the wealth of their clients, RMs have access to RM Mobility. This allows them to effectively and efficiently drive their conversations with customers, since the portfolio information is updated online and in real-time; all positions are as of the moment that the RM / client looks at it.

87%
Poll respondents who said they view digital as a way to support RMs rather than replace them

As a result, presentations to clients become dynamic and are more of a two-way dialogue rather than something which is static and pre-prepared.

Beyond the portfolio views, RMs at DBS have access to 360-degree client views; with this, they can do a discovery of a customer's financial objectives and risk appetite, or can instantly purchase and redeem funds. The bank's RMs also have access to iWealth, having been trained to be able to explain to clients how to monitor, transact and stay up-to-date on the latest research, investment ideas and prices.

En Lai Yeoh
UBS Wealth Management

At UBS Wealth Management, client advisers are asking for on-demand, mobile platforms to effectively give them what they need at their fingertips.

For example, they want to know when UBS makes a call on a particular investment – via more alerts and more machines that understand what they need when they use it. They are also asking the bank to give them the information as soon as its available, in an easy-to-read, bespoke format.

SPENDING PRIORITIES

There are three digital investment priorities which tend to be common across many financial institutions in Asia.

First, is technology-enabled transformation – which often refers to large-scale IT transformation programmes that involve a number of components: upgrading legacy banking systems, involving core banking renovation; introducing better client onboarding solutions and experiences; implementing intelligent process automation, not just around client data management but also across middle and back-office administration; and keeping the front-office up-to-date in terms of the latest regulations, risk programmes and remediations.

Smita Choudhary
Bank of Singapore

Secondly, many wealth managers are focused on data management and analytics. The focus is on how to make use of their data and create tangible business value.

Thirdly, digital strategy and design are key. This involves experience design, advanced platform engineering and technology innovation.

The focus of the digital spending at DBS, for instance, is in several areas: creating digital eco-systems; embedding itself into the customer journey; enabling a digital engagement that is not modelled after the traditional approach; and eliminating non-value adding tasks and administrational steps from the value chain, with an ambition to achieve instant fulfillment, and without a need for branches or call centres.

The UBS strategy, meanwhile, is not to build and hope for clients or client advisers to use the tool or platform. Instead, the use-case and objectives have to be clear.

The bank is not going to spend money if it's just a 'nice to have'. There are many things that people want, but they don't necessarily use. As a result, UBS gets its clients to build alongside it, based on specific problems it is trying to solve.

Ryan Burdick
Xignite

MAKING DIGITAL COUNT FOR RMS

Digital is now part of the scorecard for staff in some banks. In DBS, for example it applies to every employee in the bank.

The DBS metrics evolve around 'ATE' – acquire, transact and engage, with digital goals reviewed during weekly meetings with senior management and on a monthly basis with the entire wealth management committee and private bank management committee.

More broadly, there are three KPIs which senior executives say are most relevant to financial institutions in the march towards digital.

The first KPI, is how to improve the client experience. This involves providing better data-driven advice, being more client-centric and offering tailored products and services.

The second KPI, is how to make the business more profitable. This is tied to themes like intelligent process automation, virtual workforces, machine learning and artificial intelligence.

78%
Poll respondents who said the quality of investment advice from by RMs who use digital tools is better than those RMs who don't

The third KPI, is how to manage regulations across the different jurisdictions in both an onshore and offshore context.

Essentially, this is focused on enabling digital to add to the proposition; the more engaged customers are, the more likely they are going to think of that institution when they want to transact next.

Both directly and indirectly, therefore, digital can effectively lead to increased revenue, AUM and sales.

In line with this, the end-game can have a variety of elements to it.

For example, it can create scale in a significant way. Or, institutions can become more like the Facebooks, Googles, Instagrams, Amazons and Netflix's of banking.

This all enables a wealth managers to become a more fundamental part of a client's daily life.

Urs Palmieri
EY

Agility, resilience and innovation

Gordon Marr, group chief executive of Hansard International, explains a proven recipe for 30 years of success.

2017 represents a significant milestone for Hansard International as it celebrates 30 years in business, operating from its head office base on the Isle of Man.

Established in 1987 and part of the FTSE-listed Hansard Global plc group, Hansard International is recognised as a stalwart within the industry, one of the 'first on the scene' to satisfy the demand for flexible savings and investment solutions for internationally mobile clients.

Despite a 30-year span that has presented unprecedented global economic challenges (not to mention pony tails, shoulder pads & perms), Hansard International boasts the claim of being one of only two companies within the industry to have retained its original identity, name and focus since its formation.

"The firm is confident in its proven resilience and agility, with the freedom to future proof its own destiny through the complete autonomy seldom afforded to many of its peers."

GORDON MARR
Hansard International

Even now, in March 2017, as many companies within the financial services industry continue to gather their breath and comprehend their future following the many geo-political surprises that 2016 conjured up, with a degree of 'what on earth is around the corner' trepidation, Hansard International is busily preparing a blueprint for the next 30 years.

The firm is confident in its proven resilience and agility, with the freedom to future proof its own destiny through the complete autonomy seldom afforded to many of its peers.

A REPUTATION THROUGH INNOVATION

Hansard International's longevity can be attributed to many different factors; its people, its focus on customer service, relationships with the adviser community etc, however it is the company's focus on innovation through technology where Hansard has carved a niche over the years.

In this way, it has gained a considerable following of like-minded innovators from the adviser community in a market where the landscape constantly shifted with the arrival of new subsidiary companies of multi-national, global household brands.

With a headline goal of delivering financial products to internationally mobile clients through the use of ever-changing technology, Hansard quickly established a reputation as an innovator in the 1980s and 1990s, scooping numerous industry awards.

With the arrival of the worldwide web to the masses in the 1990s, Hansard was quick to realise the potential role of technology in transcending traditional boundaries, launching 'Hansard Online' (or 'HOL' as it is known to the thousands of financial advisers that use it every year) in 1999.

HOL continues to be central to the Hansard proposition to this day, with over 90% of new business submitted via a seamless, totally online, end-to-end platform, with over 2 million client reports generated using HOL each year.

Of course, great technology counts for nothing if it doesn't serve as a vehicle to provide customers with what they want (see 'Minidisc' and 'Sinclair C5' to name but two).

With this in mind, and fundamental to the evolution of Hansard Online is the close working relationship that Hansard maintains with its advisers around the world, ensuring that they are central to its development, resulting in an online solution that it can be confident meets their respective needs.

> **"Hansard International is a company that has chosen to never stand still, to 'thrive rather than survive' in an industry where innovators are rewarded."**

AMBITIOUS GOALS

In 2014, an ambitious strategic growth plan was shared with staff, advisors, shareholders and city analysts.

The plan was purposely bold, putting faith in the previously proven strategy of always looking forward, thinking big and being well placed to adapt in an industry that has welcomed many new entrants, and waved goodbye to many others during the last three decades.

Early signs are certainly promising, with Hansard establishing lots of new distribution agreements in its core markets and new business growth driving the group forward, year on year.

A momentous example of this is the recent announcement of Hansard's strategic alliance with the major UAE insurance giant, Union Insurance.

Leveraging Hansard's specialism in providing slick online administration systems & intuitive advisor/client technology, Union Insurance launched its new 'Infinity' savings and investment proposition to the UAE market in February 2017, which will be powered by HOL technology.

TO THE NEXT 30 YEARS!

Hansard International is a company that has chosen to never stand still, to 'thrive rather than survive' in an industry where innovators are rewarded.

So whilst 2017 will be a year of celebration, it will also be a year of looking forward, planning ahead and laying the foundations for the next 30 years. ■

Banking on the mass affluent mind-set for growth

Helen Kan of China CITIC Bank International (CNCBI) intends to leverage the connectivity with the bank's China-based parent in a bid to maximise the potential for wealth management business and to capture the younger affluent market banking in Hong Kong via digitalisation, education and new offerings.

CNCBI, the offshore platform of China's CITIC Bank in Mainland China, seems to have been making good headway despite concerns over competition and rising costs impacting the broader wealth management industry.

The bank has taken the proactive stance of maintaining its footprint in Hong Kong with 33 branches. At the same time, it has added new verticals to its array of offerings.

There is certainly an element of parental support working in its favour; China CITIC Bank, as one of China's largest banks, counts 1,424 outlets in 138 large and medium-sized cities across the Mainland.

More specifically, this vast network creates an enviable source of referral business for CNCBI as the offshore entity, giving the bank credibility and unparalleled access to customers.

"We are not a stand-alone private bank, that's the key difference. We are just one bank with a continuum of segments."

HELEN KAN
China CITIC Bank International

In addition to providing a steady stream of business, such connectivity has helped the Hong Kong platform to keep costs low. "We are not a stand-alone private bank, that's the key difference," explains Helen Kan, executive director and alternate chief executive officer of CNCBI. "We are just one bank with a continuum of segments."

EMBRACING CHANGE

Despite her 30 years of experience already in banking and finance, Kan is ready to embrace change.

Indeed, she knows there is a lot of work to be done in the areas where she believes the bank can forge a competitive advantage. "Our proposition is aimed at the mass affluent and a very simple core offering of private clients," she explains. "We do not aim to be everything to everyone, and we do not compete with the biggest banks, but we want to have our own market that is loyal and likes our services."

And to woo the increasing number of younger affluent clients naturally involves offering the latest in banking digital tools to appeal to them.

She is under no illusion about the difficulty of competing with what exists in the market already.

But she is also confident that what the bank can provide will capture a decent market share – by meeting expectations of speed and ensuring a positive customer experience via the user interface.

This refers to activities ranging from remitting money to checking the status of accounts and doing fund transfers.

This is based around what CNCBI has termed its 'mobile first' strategy.

This is different from the internet strategy, she explains, because it is based on meeting the needs of clients on the move.

"[Younger clients] expect immediate responses online or using mobile banking," says Kan. "The navigation and ease of use, together with any explanations, have to be extremely clear."

PLAYING THE CHINA CARD

CNCBI also wants to be the 'bank of choice' with the best international standards for cross-border customers coming from mainland China to Hong Kong.

And as China CITIC Bank is also focused on the mass affluent segment, this has helped it create greater synergies between its onshore and offshore businesses.

This also involves CNCBI helping to promote Hong Kong as the first port of call for mainland Chinese investors looking to diversify their assets.

While these individuals are still drawn to Hong Kong, competition has grown from other financial centres in the region, and globally. "Hong Kong still features high on the preferred destination list of Chinese, but they are also gradually getting interested in the US, Australia and, to an extent, Singapore," says Kan.

She is therefore focusing on three things to retain CNCBI's edge for this segment: its China connection, technology and quality of products and services.

"We do have to enhance our ability to service through electronic channels to complement the face-to-face RM-servicing model," she adds. "Chinese customers want one-plus-N from the bank, where 'one' is the RM, so our RMs need to know their customers."

This means being able to offer a lot of peripheral, value-added services, including advice on structuring and tax issues, immigration and children's education, and link them with partners which can help them in these areas.

"We do have to enhance our ability to service through electronic channels to complement the face-to-face RM-servicing model. Chinese customers want one-plus-N from the bank, where 'one' is the RM, so our RMs need to know their customers."

In particular, CNCBI can play a bigger role in terms of succession planning.

Kan believes that as the current generation of HNW clients – currently in their 30s and 40s – grow older, the demand for wealth succession and planning will start to boom. In turn, this will demand new kinds of expertise from wealth managers in Hong Kong.

"We are only five years old and we are looking to increase the depth and breadth of our private banking proposition. So far, we have only grown organically."

When these components start to gel, she is confident that the bank's wealth management strategy will fall into place and client growth will take off. ■

A differentiated path to growth in the Asian private wealth business

Morgan Stanley's plan to grow its private banking business in the region is about focusing on its global franchise and delivering its core competence in investment ideas and products to active asset owners, explains Vincent Chui.

Presented with a choice between being the biggest or the best in the Asian wealth business, Vincent Chui is adamant that he will opt for the latter.

As managing director and head of Asia institutional equity distribution as well as private wealth management at Morgan Stanley, he has two very different strategies for the two very different business.

For the equity business, it's about sustaining the firm's top market and wallet share globally and regionally.

For the wealth business, he is banking on what he describes as a "differentiated" combination of products and advice to win wallet share from active UHNW clients in Asia.

"Morgan Stanley is a very established global financial services firm in Asia," says Chui. "Our name resonates with UHNW clients who seek top-of-the-line advice, services and products."

Yet the US bulge-bracket firm continues to build its product platform – mostly by identifying and sourcing something bespoke for a client, rather than off-the-shelf.

Country-specific private equity funds, alternatives, a quant-based product and a housing income product in the US, are some examples of what Chui's team are availing clients with.

"Clients are over-exposed to income products and have a lot of liquidity, so it is incumbent upon us to ensure we have the right people, products and services to help them achieve their wealth and investment purposes," he adds.

The greater risk appetite generally over recent months has lent a helping hand too.

With a higher degree of optimism for the US economy, and Brexit becoming a reality, investors are able to make longer-term asset allocation decisions. As a result, private banks I,ncluding Morgan Stanley's locally-incorporated bank, have benefitted, confirms Chui.

VINCENT CHUI
Morgan Stanley

DIFFERENTIATION IS KEY

To fully tap demand among UHNW clients in Asia today, one approach that some private banks take is to grow quickly through M&A or the acquisition of teams.

This can create a market rife with cut-throat competition and slim margins, and often longer-term unprofitability, given the practice among some players of employing private bankers on high guaranteed salaries.

Chui is much more pragmatic, and is certainly not interested in competing on scale alone, especially when it comes to numbers of bankers.

Perhaps he saw that movie before in his institutional equity business, where a number of global and regional securities firms were in retreat mode over the last couple of years.

"We are in the business for the long term and that means you have to make rational commercial decisions to sustain a profitable business at all times," he says. "Keeping the core, hiring like-minded people and providing points of differentiation is our strategy."

In fact, not being the biggest or the highest-profile private bank in Asia might well work in Morgan Stanley's favor.

RISK CULTURE IN THE DNA

Chui's most important priority is not revenue growth. It is to further advocate and empower a risk culture within the firm – across all staff including, of course, the front-line – in line with the kind of more focused business the bank wants to do.

That, to him, is the most important way to build a long-term franchise in the wealth business.

"We are in the business for the long term and that means you have to make rational commercial decisions to sustain a profitable business at all times. Keeping the core, hiring like-minded people and providing points of differentiation is our strategy."

Next, he wants to hire key relationship managers (RMs) who have the experience, know-how and gravitas.

This is essential, both to deliver the desired offering to clients as well as fit the client-first culture of the firm.

"UHNW clients are over-banked and demanding," he explains, "but if you have the right people, products and culture, they will bank with you and reward you with the right business."

Most of the new bankers Chui has been hiring have at least six to seven years' experience elsewhere at top-notch firms. "We try to immerse them in our culture and, most importantly, try to get them up on the curve in terms of product knowledge," he adds.

"That is our core competence and although we have product specialists helping them, we like our RMs to also be passionate and articulate on investment and asset class trends."

CHERRY-PICKING

The selective nature of Chui's strategy also applies to the bank's private clients themselves.

Morgan Stanley has a very specific set of target clients – and the profile of these individuals hasn't changed.

The bank continues to target active business and asset owners.

And these individuals are relatively young, particularly in China with the newly-minted entrepreneurs.

Millennials are also an important segment to Chui, but this is part of a longer-term, strategic vision in terms of engaging with them in a specific way, to try to figure out the path they are on and therefore what they need from their private bank.

What's most important in the wealth business for Chui, he explains, is to understand the firm's core strength, to segment clients appropriately, to deliver the core competence and, importantly, to manage the regulatory, credit and operational risks.

"Private banking is a great business given the secular trend in Asia. We love this business," he adds. ■

Developing greater capability in the Middle East

Hubbis' 2nd annual event in Dubai for the industry in the GCC highlighted the need for firms to focus on building modern, digital-friendly platforms where better-trained advisers consistently act and behave in their clients' best interests. This assumes the regulatory agenda in each market doesn't stifle the opportunities for growth.

The wealth management firms which will be most successful over the next five years in the Middle East will be those which embrace digital and put in place modern, robust technology platforms.

The ability to clearly demonstrate alignment with clients' interests is also a critical component – which ties in to the need to deliver the right client outcomes. This can be achieved, suggest various market practitioners in the GCC, via a mix of independent and technical financial advice which has the objective to maximise value for the client.

More specifically by client segment, a successful model must focus on the newer millionaires, as well as small-business owners.

Family governance solutions will be a key way to access and win the trust of many families which are concerned about their businesses when they are no longer around.

At the same time, moving the industry forward in this way requires some important changes – for example, in the way advice is given, advisers are trained and remunerated, new talent is developed, clients are educated, and various aspects of the market are regulated.

SOLUTIONS, NOT PRODUCTS

Several elements of these success factors for a sustainable wealth management offering in the Middle East are dependent on firms being able to shift towards selling solutions, not chasing revenue through single transactions.

And there are specific ways that business leaders and wealth managers can achieve this.

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Inevitably, it should start with a better understanding of clients' needs – and then an ability to deliver what they want.

To do this requires effective relationship selling rather than transaction selling. At the same as doing this, wealth managers can educate their clients on how to think and act – depending on their needs and goals – when it comes to their portfolio.

An important building block is improved training and development of advisers. Further, having robust minimum qualification levels for the industry would, said some respondents, help to enhance the reputation of the industry. ■

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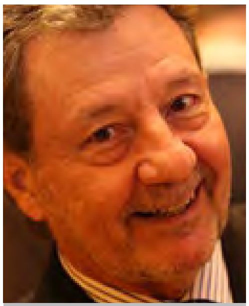

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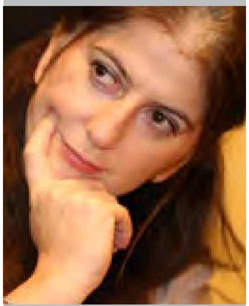

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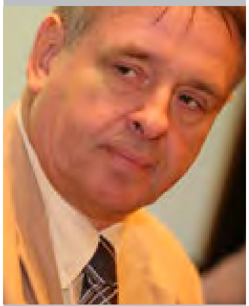

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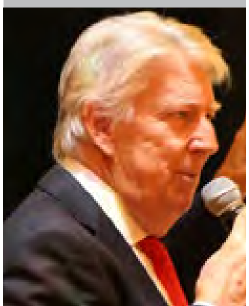

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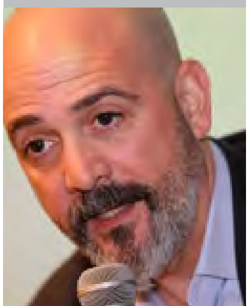

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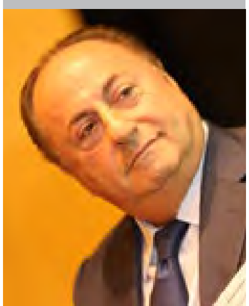

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Service via the Hong Kong gateway

Alan Luk explains how Hang Seng is sticking to a strategy of catering to Mainland customers from Hong Kong, where the local bank can deliver a range of solutions and focus on delivering tailor-made services.

A tried-and-tested way for a financial institution to succeed is to play to its strengths. And this is exactly Alan Luk's philosophy in tapping into the growth in HNW numbers in China.

So despite the scale of the opportunity that abundance of privately-held wealth in Mainland China appears to present to all wealth management players, Luk, as head of private banking and trust services at Hang Seng, said the bank would leverage on Hong Kong's established positioning as the gateway to China when conducting its private banking activities.

Luk's mind-set also stems from a broader strategic goal for the institution, where all the bank's efforts are directed towards driving profitability and productivity – not AUM or front-line head-count. "I love top-line performance, but bottom-line is critical because it talks about sustainability, and how we can survive and drive the business to the next level," he explains.

"I love top-line performance, but bottom-line is critical because it talks about sustainability, and how we can survive and drive the business to the next level."

ALAN LUK
Hang Seng

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GENERALI

GETTING ITS PRIORITY RIGHT

Hang Seng has a policy not to disclose its AUM. It is estimated to be between USD20 billion and USD25 billion in the private banking unit.

One thing Luk is adamant about, however, is avoiding trying to grow the business through unsustainable measures – such as poaching relationship managers (RMs) from other banks or using aggressive pricing strategies to attract new deposits.

"We don't want to do this because it is sure to hurt the bottom-line," he explains.

Instead, a strategy that has held the bank in good stead, and helped its earnings-per-account to grow even during periods when its AUM has been stagnant, is preening its client accounts.

Its focus in doing this, is to ensure that customer needs are relevant for private banking services.

"By doing this from time to time, [real] private banking customers remain with us," adds Luk. "That really helps us grow our business because we can offer solutions to meet with their different wealth management needs."

"[By preening our client accounts]... from time to time, [real] private banking customers remain with us. That really helps us grow our business because we can offer solutions to meet with their different wealth management needs."

SOLUTIONS NOT PRODUCTS

Transparency is another major pillar of Hang Seng's private banking strategy.

To maintain this, Luk spends a lot of time ensuring the processes are in place to prevent his RMs from pushing products or being driven by considerations such as fees.

More specifically, they adopt a structured investment process that has several layers of checks and balances in place. This also helps to prevent any mis-selling.

The first step, once an account is opened, is to assess the risk profile and the objective of the client, to identify their financial goals.

Then, there is a matching process to offer them a range of suitable bonds, equities, funds and other investments, each of which get graded separately for the risk they carry. For any product that is not aligned with a client's goals or risk profile, the RM has to explain to senior management why it was still sold.

Further, transactions are audited by an independent team, with discrepancies taken up with the individual RM.

"Sometimes, the enquiry goes all the way to the customer, and a call is made to find out if he or she indeed wanted that product," adds Luk.

Issues are fewer and farther between given that the focus is on meeting customer needs rather than selling individual products.

Luk believes that delivering solutions in this way will create more loyal customers with stickier relationships.

LOCAL ADVANTAGE

More broadly, Hang Seng wants to leverage its local advantage to grow its private banking business.

So in addition to individual clients, Luk says it also wants to become a preferred choice for small- and medium-sized Hong Kong businesses.

"We want to be a local and regional player." he explains.

This is highlighted by an example of a solution it can offer clients by way of managing their property portfolios.

In this way, the bank's subsidiary, Hang Seng Property Management, can act on behalf of a client who might live abroad or be unable to themselves manage the property assets, collect rent and even carry out repair and maintenance works. ■

Why digital matters to wealth management success

Knowing where and how to bring in digital initiatives to the organisation, and then encouraging all staff to embrace and harness them to derive the most value, is a lot easier said than done. Everything needs to start with the customer in mind.

Panel speakers

- ***Nakul Kurup,*** *Head of Digital Sales & Monetisation, OCBC Bank*
- ***Alvin Lim,*** *Head of Digital, Singapore, HSBC*
- ***Lee Ng,*** *Vice President, MetLife Innovation Asia, and Chief Operating Officer of Lumenlab, MetLife*
- ***Yashesh M. Kampani,*** *General Manager, Banking and Financial Markets, ASEAN, IBM*
- ***Mark Wightman,*** *Partner, Wealth & Asset Management Advisory, EY*

Walking the talk when it comes to digital advice, platforms and tools remains a big challenge for most banks and other wealth management firms in Asia.

The hurdle for most firms and senior executives, it seems, is turning the stated commitment into initiatives which are tangible and measurable.

For example, where, when and how should banks bring in artificial intelligence (AI) or robotics?

And is the digital strategy able to add value to the bottom line, clients and internal stakeholders alike?

Now is the time for many institutions to get beyond proof-of-concept stages to implement digital initiatives which will result in revenue.

These were among some of the key observations of speakers at the annual flagship Hubbis Digital Wealth event in Singapore in June.

GETTING THE STARTING POINT RIGHT

Part of the challenge, according to industry practitioners, is that getting any clarity over how people think about 'digital' is tricky; the same question to two people leads to different answers.

Further, it needs to be a lot more than just the user experience at the front end; digital operations in the middle and back offices are critical components too.

At the same time, however, institutions sometimes forget about the customers in their path to digitisation, and it becomes just a business process.

Nakul Kurup
OCBC Bank

Yet innovation begins with the customer. The choice to go digital is not one that institutions should get to decide. Instead, they need to be where their customers want to be.

In line with this, asking whether digital matters might be the wrong question. Digital may be hot now and firms need to address it, and then the next thing will come along, such as AI or blockchain.

An institution's future business success therefore depends upon its ability to serve its customers in the most effective and efficient manner – and also to delight them.

A project by MetLife called 10X, for example, looks at eight vectors of change where consumer behaviour will drive changes in the fintech industry.

From 'experience is everything' to 'risk and trust is fluid' and 'intelligence everywhere', the firm uses this point of view to look at what it needs to change to address future customer needs.

Alvin Lim
HSBC

60%
Poll respondents who said only a small amount of the talk at their own firms about digital leads to any tangible action

For many banks, the approach to digital innovation has been to make things simpler, better and faster for its customers.

In general, however, among the different types of institutions, local retail banks are making more progress in the digital wealth race in Asia than universal banks, international private banks and insurance companies, according to a poll of delegates

MAKING IT MEASURABLE

In trying to measure the success of digital, establishing a direct correlation to revenue uplift is difficult, whereas linkage to cost savings is possible.

Lee Ng
MetLife

Too many banks seem to be applying what some practitioners call 'digital lipstick', rather than truly adopting enterprise-wide digitisation unless faced with an existential threat.

Ultimately, all channels need to enhance the client experience. But, ask practitioners, how can banks get there to give them an experience they cannot do without?

The key also is to meet clients at their points of need – meaning where they make investment decisions or where they need a bank's range of solutions.

In line with this, since a lot of clients and prospects tend to make decisions surrounding major life events, institutions need to interact them there in a manner where engagement is not robotic or based on a specifc sale.

Yashesh M. Kampani
IBM

19%
Poll respondents who said that their own institution derives zero revenue from digital channels today

Part of the problem, say practitioners, is that most banks don't capture data or insights in a way that will be effective.

Partnerships, meanwhile, offer one route to potentially leapfrogging stages of digital development.

Firms should not be under the illusion that they need to build everything themselves; they should be more selective at what they choose to do in-house, according to industry practitioners.

Resolving some of the challenges – and speeding up transformation within institutions – will also come down to a combination of people and technology.

There is a still a significant need for cultural alignment and transformation, as part of the need to become more agile and to drive real change.

Mark Wightman
EY

How Bento is democratising wealth management

Chandrima Das explains how the firm has developed its platform and overall offering to bring a high-quality investment engine to its clients – which is risk-based, forward-looking and built with the investors' preferences in mind.

After spending several years at private banks, Chandrima Das knew the inner workings well enough to understand that when it comes to wealth management, not everyone is in the same boat.

"Individual investors often pay more fees and are less aware about [their own] performance than institutional investors," explains Das, the chief executive officer and co-founder.

"Even if they have the same amount of wealth, their money might be managed differently."

This disparity got her thinking about ways to use technology and algorithms to democratise – to a degree – the process of investing. Along the way, the goal was to make wealth management less costly and more efficient.

Her vision took shape in the form of a robo-adviser called Bento, which Das, stresses is different from other platforms of its ilk.

Far from being a fully-automated technology solution to replace humans, its intention instead is to work in tandem with client advisers and relationship managers, she explains.

DRIVEN BY ALGO

Bento uses algorithms to test-out strategies for clients. In taking this approach, it first aggregates client data across multiple banks and then offers holistic advice based on real-time data to construct custom-built ETF portfolios that fit their specific needs and objectives.

"Bento brings both strategic and dynamic modelling using technology to the HNW space and B2B at a very low price point," explains Das.

In short, Bento determines the risk profile and investment objectives of

CHANDRIMA DAS
Bento

clients, suggests a model portfolio based on this information and, when market conditions change and the

portfolio veers from its goals, it brings it back on track.

Feeding Bento the latest data on market research is Willis Towers Watson. And parent firm Mesitis Capital is looking at a similar partnership with Mercer to input covariance metrics to further strengthen Bento's research.

simple philosophy: a robo-adviser should be a tool that helps construct customised portfolios and not give cookie-cutter advice.

So depending on a client's preference, Bento can delete asset classes or add new ones to reconstruct the portfolio, while keeping the risk profile constant.

"Individual investors often pay more fees and are less aware about [their own] performance than institutional investors. Even if they have the same amount of wealth, their money might be managed differently."

Indeed, market data is crucial to the firm's success. "[Any] model is as good as the inputs that go into it, otherwise it can be garbage in, garbage out," says Das.

CUSTOM-BUILT PORTFOLIOS

What sets Bento apart from other firms like it, she believes, is its ability to customise a portfolio.

"We do not buy model portfolios. We have a set of behavioural finance-related risk questions that try and determine how much loss can a client take, the objective of investors and which biases they may have," says Das.

This makes the outcome customised and iterative.

"Plus, we have tools that aid an adviser to impart institutional-grade, quality advice at the individual level," she adds.

Ultimately, every aspect of the portfolio construction process is guided by a

In striving to match the risk profile of clients with suitable assets, Bento has divided equities in different regions into separate bands, based on their market behaviour.

Within the US, for example, there is US growth, US value, small-cap and large-cap. Similarly, Europe is divided into the UK, Euro zone, Nordics, large-cap and small-cap, because each one of them behaves differently.

And when finally picking stocks, the tolerance band of clients is matched with those sub-asset classes to ensure it is uniquely suited for the individual.

Further, clients can opt to keep custody of their portfolio with any bank of their choosing, in which case Bento manages the money as an external asset manager through a sub account. Or, clients can open an account with Bank of New York-Pershing, which Mestis Capital has tied up with.

STANDING OUT

Essentially, in an increasingly-competitive fintech environment, Bento's proposition is designed to keep costs low, both for clients and for itself.

This means it is focused – specifically, on HNW individuals, family offices and B2B deals.

Das is also hoping for regulatory tailwinds to propel Bento further.

Currently, many institutions in the region rely on transaction fees for up to 90% of their revenue, she explains. But given this is cyclical and regulators have started to turn against fees from selling funds, banks have started to look at 'stickier' revenue options of the kind that Bento's core portfolios can provide.

The firm can also help relationship managers (RMs) to use smart technology to also enhance client relationships and leave them with more time for each client.

"If the bank starts gradually to move towards more of a recurring-revenue model, then there is less reliance on the RM selling a new idea in every conversation," says Das. "So the RM can technically onboard four to six times the number of clients, and have a larger access to funds."

Although still new on the block, she says that some recognition has come Bento's way already. Venture capital data provider CB Insights, for example, recently ranked it among the top 90 global wealth tech firms.

As Bento clicks with advisers and tech enthusiasts alike, Das says the priority now is to further fine-tune the algorithms and build a whole retirement suite. ■

How Citi is staying ahead of the wealth management pack

Paul Hodes explains how Citi looks to position itself as an industry leader in Asia – which includes enhancing its digital proposition and, critically, being transparent with clients and treating them fairly.

The focus for Citi's wealth management business across Asia – and especially within the Citigold and Citigold Private Client segments – is on meeting clients' financial goals and helping them through the various stages of their lives, explains Paul Hodes, head of wealth management for Citi in Asia Pacific and EMEA.

This has helped it become the largest consumer banking wealth management player in the region, within 12 countries in Asia Pacific and five markets across EMEA.

To help achieve this, Citi has also focused on driving thought leadership and innovation, explains Hodes, as well as delivering to clients both face-to-face and digitally.

ENSURING TRANSPARENCY

According to Hodes, clients need to understand the potential risks and returns of their investment products, as well as the costs. The net performance is what matters ultimately, he explains.

In line with this, the more transparent a bank is on these areas, it will help to set the client's expectations of what the performance is potentially likely to be, he says.

Any instances of mis-pricing to clients will negatively impact a firm's objective of deepening and growing relationships with clients across the business, adds Hodes.

As a result, treating clients fairly is something that must be institutionalised, plus it should be measurable across all relationship managers.

CREATING SUITABLE INVESTMENT PORTFOLIOS

In line with these goals, and as part of the focus across both the Citigold and Citigold Private Client segments on selecting the right products for clients, there is are benefits from the bank's open architecture approach.

PAUL HODES
Citi

This, explains Hodes, requires it to find best-in-class managers. And the upshot is relationships with hundreds of asset managers – ranging from global to regional to local houses.

Yet these managers are not only approved for the broader platform, but also categorised according to their specific expertise in individual asset classes and sub-asset classes, he says.

For Citi, consistency in performance and regular out-performance against expectations are important criteria when selecting product providers.

mutual-asset mutual fund as a packaged solution.

By contrast, a HNW client might have a portfolio which needs more active management, and funds can help create more diversification over a certain timeframe.

He says Citi is able to show clients that if they follow one of the bank's model portfolios, they can see over a specific timeframe the expected positive outcome compared with the benchmark, or with investing in one of the more popular mutual funds.

> **"Treating clients fairly is something that must be institutionalised, plus it should be measurable across all relationship managers."**

SEEKING OUT-PERFORMANCE

According to Hodes, wealth managers need to be cognisant that clients and many managers are momentum-focused.

Yet with the potential for ramifications from political changes around the world, investors and advisers should be thinking about the (negative) impact on markets going forward.

In delivering advice and product solutions, Hodes says the individual client segment is an important consideration to determine objectives and level of risk they are willing to take.

The needs of affluent clients, for example, might be met by a single, And consistent out-performance has shown the success of the bank's advice over recent years, adds Hodes.

ENHANCING THE PROPOSITION

Similar to a lot of wealth and asset management firms at the moment, he also says that digitisation is a key priority for Citi.

This is not only for the front-office to facilitate interactions with clients, but also in the middle and back offices.

Indeed, adds Hodes, the drive to digitisation is fundamental as a way to enhance client relationships, increase productivity and lower cost. For example, enhancing the client adviser experience with digital platforms has been a key area of focus for Citi's wealth management business for more than two years.

It has heled to support the bank's relationship managers (RMs) as well as give clients more direct access to their portfolios, for instance via mobile phones.

A key initiative has been the development of an interactive tool called Total Wealth Advisor (TWA), which is based on the Citi Model Portfolio developed by the US firm's investment experts. TWA now covers more than eight markets, helping RMs develop needs-based solutions to a client's most important financial objectives.

Specifically, it provides a real-time picture of a client's financial situation, portfolio and goals. It then analyses how the portfolio value changes over time, plus the likelihood of the client achieving stated goals, and options for any rebalancing.

Indeed, adds Hodes, analysing portfolios under stressful market conditions can enable clients to make better investment decisions via an improved understanding of the potential risks of an event – not just the upside potential.

DIGITAL BENCHMARK

Another sign of the importance to Citi of digital tools is that the bank incorporates, in its own reference for its wealth management success, the extent to which they drive client relationships.

For example, Citi assesses in each of its markets the likelihood of clients recommending the bank to friends and family. Hodes says it is important for it to have a number-one ranking as the most likely firm that clients would recommend, compared with their other wealth managers. ■

Driving passion through private banking

Tan Siew Meng of HSBC Private Banking continues to delight in the joys of helping HNW clients grow and preserve their wealth across generations. Such a mind-set is essential in delivering value amid a host of challenges and complexities today.

Understanding and responding to the needs of business-owning families is fundamental to success in Asian private banking, believes Tan Siew Meng, regional head of HSBC Private Banking, Asia Pacific.

This comes from her 30 years of experience working with corporate clients and entrepreneurs across the region.

"Most of the wealth [in Asia] is generated by business owners running successful businesses," explains Tan. "So anyone who wants to work in the private banking sector must have an interest and an inquisitive mind to understand businesses. Only then can you really have meaningful engaging conversations with a business owner."

She speaks from experience, having started out in corporate banking in various banks in Singapore and then moving on to HSBC 13 years ago. She subsequently ran the bank's regional trade finance business and now helms HSBC Private Banking's Asia Pacific business.

Most of her career, which includes stints as country chief executive officer in Thailand and Mauritius, in fact, has been to deal directly with decision-makers.

"The right type of conversation is key to engaging these clients," Tan adds. "Unless bankers demonstrate genuine interest and understanding of the owner's business, it's very difficult to achieve a sharing of minds because the client's passion is always about their own business."

Since taking up her current role at the beginning of this year, she has kept a sharp focus on serving clients.

TAN SIEW MENG
HSBC Private Banking

This seems to be ever-more critical given the new era of banking – including tighter regulatory scrutiny, compressed fee margins and the advent of the digital age. To achieve this, sticking to the core strategy of knowing the

customer becomes paramount. "We are banking the owners and principals of group-connected customers or corporate clients," she adds.

"We stick to that and as a universal bank we are very well-positioned because they are already customers of the bank," she explains.

NEXT-GENERATION ADVICE

In line with this, Tan has specific views when it comes to how advice should be imparted to clients.

For example, investments are not just about markets; private equity and other alternatives play increasingly important roles for HNW clients.

For example, HSBC Private Banking's recent 'Essence of Enterprise' report found that 26% of HNW Asia Pacific entrepreneurs in their 20s go into business to make a name for themselves compared with 18% of those in their 50s.

They also placed emphasis on having a positive impact on the community compared with one in 10 of baby-boomer entrepreneurs. "With a long history of supporting entrepreneurs in the region, it's crucial that we understand the next generation of entrepreneurs' motivations and challenges so that we can continue to support them as they shape our future economy and community," says Tan.

After hours with Tan Siew Meng

- *Singaporean born-and-bred, Tan is an avid golfer, playing anywhere she gets the chance to*
- *Her favourite golf course is the Heritage in Mauritius, where Tan spent two years as CEO for HSBC Mauritius*
- *Would like to try skydiving if she gets the chance to try an adventure sport – and plucks up enough courage!*

"It's crucial that we understand the next generation of entrepreneurs' motivations and challenges so that we can continue to support them as they shape our future economy and community."

"In private banking, the longevity of the relationship and support is paramount," she explains. "The wealth that is being passed from one generation to the next needs to grow safely, and this requires tailored investment solutions."

Tan understands the importance of making sure the bank is prepared in terms of understanding the needs of the next generation, such as their changing mind-sets and needs.

The bank also runs regular workshops and forums such as Next Generation.

These allow adult children of clients from different countries, globally, to network and learn about family business and governance.

"It's about how we evolve in a way to make sure the second and third generations will also continue to bank with us," says Tan.

ADAPTING TO THE DIGITAL ERA

"A lot of people are focused on looking at how to use digital in terms of transaction banking to increase the speed and make it friendlier for customers," she says.

While retail banking continues to innovate the transaction banking experience, Tan says there is scope for private banking to be a part of the narrative.

Designing an online platform for clients to directly allocate their investments is one example she cites.

Earlier this year, the private bank launched its digital investment research hub called Knowledge & Research Centre.

This gives clients access to investment research and insights produced by in-house investment experts as well as by highly-regarded industry partners. ■

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Eyeing scale to target families in Greater China

Kenneth Ho is slowly and patiently adding experienced headcount to help drive his strategy of building on Carret Private Investments' Asian vision to access China's under-tapped market at the upper end of the family wealth spectrum.

Targeting HNW and UHNW families in China requires a certain scale that Kenneth Ho is set on building with his multi-family office offering, Carret Private Investments (Asia) Limited.

Fresh from merging the firm's Hong Kong-based business with QL Asset Management Company Limited, the aim is to focus on leveraging the two firm's similar investment philosophies to deliver solutions that create long-term value for its target clients.

"We are very excited to merge our wealth management franchise with that of QL," explains Ho, Carret's managing partner. "We have more than 50 years of history in creating long-term value for clients, and we believe that the philosophy and track record of QL perfectly suits the needs of our clients here in the region."

"We have been able to attract people based on better pay [potential] if they can get over this issue of not having a big salary."

His goal now, is to beef up his local team to take a tilt at the China market (and others) in tandem with QL. Yet he admits that a few 'carrots' will be needed along the way to entice best-of-breed performers. Having been in business for about a year now, he

KENNETH HO
Carret Private Investments

feels the firm has made good progress. This is in terms of hiring bankers for its wealth management business, as well as sourcing and structuring what it believes to be innovative solutions for the various families the firm works with.

"This is for the families that back our business and other families that we club together as part of our wealth management offering," explains Ho.

PATIENCE NEEDED

With six bankers at the moment, Carret has been increasingly sourcing different trading ideas in line with its growth.

But with further expansion in the pipeline, Ho hopes he has reached a turning point in terms of being able to find senior individuals who are also the right fit for the firm.

"This is no easy task," he admits. "A lot of people who we thought would take the entrepreneurial jump haven't, when it comes down to signing that piece of paper."

The way the financial incentives are commonly structured within an independent firm is something that many bankers are still unfamiliar with.

Although the potential of making good money is still there, it might be in the form of a percentage of revenue that they generate – not via a large salary and discretionary bonus like at a bank.

The comfort factor also weighs on the minds of potential recruits, adds Ho.

At the same time, however, they face an increasingly tough regulatory and monitoring environment within large financial institutions.

"As banks are getting tougher in terms of operating, can [these bankers] handle all the checks and balances within the firm and tick all the boxes?" he asks.

"But we have been able to attract people based on better pay [potential] if they can get over this issue of not having a big salary," adds Ho.

REACHING A CRITICAL MASS

Despite the hurdles, Ho is confident that the right people will end up signing on the dotted line with Carret within the year.

"Our biggest priority, in line with our vision, is to build a business of 10 to 15 senior banking practitioners, who are all equity partners working together, intelligently growing our AUM and continuing to spend huge amounts of effort to try to source outstanding deals for our clients," he explains.

His is a relatively simple – and realistic – plan. "I don't have a master plan of building 100 bankers or anything like that," he adds.

Since the bulk of what the firm offers is based on discretionary portfolios and sourcing club deals, a lot of effort is needed to get clients over the line. "We are focused on getting these mandates and measurably growing clients around these 10 to 15 bankers."

Part of the team is already in place with the appointment of David Lam as chairman of the advisory board and Calvin Hsu, who joins QL Asset Management as partner and head of Greater China.

Ho says the appointments of Lam and Hsu have come at an important time for the company.Lam, who will be based in Hong Kong, has held various key positions, most recently as head of North Asia for Coutts. Hsu, meanwhile, was managing director and head of Hong Kong for Merrill Lynch Global Wealth Management.

"These are the calibre of professionals we are seeking to recruit and both these appointments will help us to the next stage of our evolution." ■

"As banks are getting tougher in terms of operating, can [these bankers] handle all the checks and balances within the firm and tick all the boxes? We have been able to attract people based on better pay [potential] if they can get over this issue of not having a big salary."


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Reinventing advice and value in Asian wealth management

Our 7th annual event for the most senior individuals in Hong Kong's wealth management community saw nearly 300 practitioners discuss how the industry can refine its value proposition and capitalise on the growing client needs for sound advice.

At a time of so much change and uncertainty for the industry, wealth managers of all sizes and business models need to pay closer attention to what brings real value to clients.

The concept of needs-based conversations is ever-more critical, backed up by the right advice and relevant, contextual, timely information – via a blend of digital and human touch-points.

Yet for many institutions, this seems harder to achieve than they think it will be. And with the next generation an increasingly important segment, there is a pressing need to adapt service offerings and solutions, as well as the ways to deliver content and advice.

Further, the industry is increasingly polarising. Those firms making headway seem to either be the largest institutions with scale, or the niche players which have an 'independent' mind-set.

In particular, the regulatory direction – both globally and in Hong Kong – is likely to create a shift in wealth management models to fee-based solutions from transaction-based sales.

As long as the incentive structures at most banks don't change, the style and substance of advice given to clients will be questionable.

Increasing compliance, risk and administrative costs will simply further erode profit margins and speed up the consolidation wave within private banking in Hong Kong and Singapore.

There also continues to be a significant opportunity to help China's wealthy population to diversify, protect and pass on their wealth – assuming firms can tailor solutions to the needs of this younger group of HNW clients and the unique nature of the regulatory environment in the PRC.

For all players, it seems that differentiation in strategies and value propositions is key to survival and success. ■

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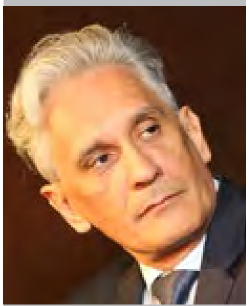

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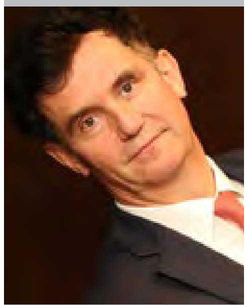

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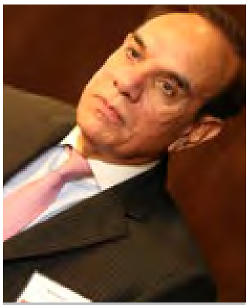

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Taking best-in-class technology onshore in Asia

Via a front-to-back solution, Martin Frick says Temenos is making ground across the region while at the same time helping private banking offerings catch up with digitally advanced retail platforms.

In the cutting-edge space of banking technology, boasts and counter-claims by financial institutions of what solutions and tools they can give their customers are commonplace. But at the end of the day, these promises have to be fulfilled.

This is where technology providers like Temenos believe that having a complete offering is the only way to meet the demands of all types of customers today – from the provider to the end-customer.

In being able to pitch to banks across Asia what Martin Frick, managing director of the firm in Asia Pacific, calls a "progressive renovation story", he is in no doubt that this creates a compelling offering.

> **"[Private banking] is getting increasingly digitised, with the growth of technology usage compared to the past."**

"We have an end-to-end solution that we call 'WealthSuite'," he explains. This starts with digital, he says, then moves to the front and back offices. But banks can pick-and-choose different components.

"So we can start renovating the back-end while at the same time, clients can be upgrading the front- and middle-offices." He believes that this type of multi-dimensional offering is a competitive advantage for Temenos in Asia.

MARTIN FRICK
Temenos

At the same time, to help implement its offering and, ultimately, deliver on the promise, the firm has created a community of reliable partners, such as Accenture, SOFGEN and Cognizant, along with some more boutique players in the wealth space.

“We have a broad partner network that helps us deliver the solution and enhance it, and this helps us to bring in more leads across Asia,” adds Frick.

PRIVATE WEALTH CATCHING UP

For private banking players eyeing potential solutions such as WealthSuite, an important question is whether they can get into a position to deliver to their customers the functionality they are looking for – in order to close the gap with what many retail banks already give them access to.

“[Private banking] is getting increasingly digitised, with the growth of technology usage compared to the past,” says Frick.

This move from manual to digital is also happening in line with changes in the mind-set of leadership within institutions in Asia, he adds. Rather than continue to turn to a solution that involves them tapping into the relatively low labour costs by hiring another five people in the back office, for example, the degree of automation is increasing.

A big – and related – driver is compliance. “Banks just cannot handle [the requirements] any longer,” says Frick. “They cannot provide all the answers to the regulators in the timeframes allowed.”

“Given the size of China, if you sign three or four banks, this means you’ll reach millions of clients; it’s a significant business and this is where I see the main growth.”

DEVELOPING NEW OPPORTUNITIES

Aside from the traditional private banking hubs of Singapore and Hong Kong, Temenos’ attention is also on the developing markets in Asia.

More specifically, markets like Indonesia, the Philippines and Thailand offering good potential, given the current and emerging pockets of wealth.

Yet China presents the biggest opportunity, helped in part by the change in investor attitude as they search for diversification in their portfolios in terms of asset classes and geography. “They are looking [more seriously] at international wealth providers that can give holistic advice to clients,” says Frick. “And given the size of China, if you sign three or four banks, this means you’ll reach millions of clients; it’s a significant business and this is where I see the main growth,” he adds. ■

Top 3 for Temenos in wealth penetration

The growth in wealth across Asia has translated into some specific, high-profile mandates for Temenos over the past 12 months or so.

Arguably the most talked about of the lot was the Standard Chartered Bank deal.

The technology provider signed a contract with the institution across 34 countries for private banking and wealth management.

This resulted in a complex multi-year, multi-jurisdiction, multi-language implementation.

In local markets, Temenos re-entered the Thai market with a project for Thai Military Bank (TMB).

In the Philippines, meanwhile, his team implemented a Wealth Front Office solution for BPI.

The variety of these deals show that the firm is able to address a range of needs in this sector, says Frick – from high-end private banking to the mass affluent, in terms of investments, support services and product.

Why Hong Kong must play to strengths to stay ahead

Given the growing influence and allure of Mainland China, Grace Chow of The Bank of East Asia (BEA) says Hong Kong can maintain its role as a hub and gateway if it leverages what it does well.

Although some people might believe the best days of Hong Kong's dominance as the gateway to Mainland China are behind it, there is still a lot that can be done for the local market to offer some specific advantages to investors.

For example, says Grace Chow, general manager & head of the wealth management division at BEA, a key advantage for Hong Kong today is still its accounting and tax systems.

"These are more aligned with international standards than those currently deployed in China," she says. "This is what we have for now."

Longer term, however, Hong Kong needs to be aware of the advances being made by Mainland banks, to ensure that its competitive edge doesn't get lost.

"Mainland Chinese are obviously looking at diversification and, because the [RMB] is not as strong as it was before."

Hong Kong might also be affected by its property market, according to Chow. While property prices have boomed in recent years, she believes it is not possible for property prices to rise forever and eventually Chinese investors will stop buying. A correction in the property market would also take its toll on Hong Kong.

GRACE CHOW
The Bank of East Asia

"We do cross-border lending and, for customers of our branches in Mainland China, we can consider providing certain facilities [in Hong Kong]," says Chow.

"But we see more of these funds invested in fixed income instruments for yields rather than being used to purchase properties in Hong Kong."

In line with this, she says she would like to see the regulators in Hong Kong playing a more prominent role to facilitate faster development and maintain Hong Kong's competitive position in the financial industry.

This comes down to how the Hong Kong Monetary Authority (HKMA) and Private Wealth Management Association (PWMA) lead the industry going forward.

"We are focusing on serving our customers from the Mainland and trying to grow this part of the business faster by leveraging our own [competitive] edge."

CLEAR LINES OF AUTHORITY

For the time being, therefore, Chow remains confident about BEA's role in the development of wealth management in Hong Kong.

Indeed, she believes Mainland Chinese will continue to allocate part of their wealth offshore, mainly Hong Kong.

"Mainland Chinese are obviously looking at diversification and, because the [RMB] is not as strong as it was before," she explains.

BEA, in particular, has some advantages in China with its strong network, she adds.

"We are focusing on serving our customers from the Mainland and trying to grow this part of the business faster by leveraging our own [competitive] edge, to ensure we can be better or more efficient than other players."

MORE PERSONALISED

More specifically within its business, BEA recently launched its own version of a digital tool – iPortfolio Analyzer in a bid to enhance the bank's value to its private banking customers.

Co-developed with IBM, this is a secure mobile solution that enables BEA's relationship managers to access and display portfolio information for clients at any location from their iPad.

Chow says this is part of the bank's ongoing digital transformation, which includes helping clients to make more timely investment decisions.

Plus, she adds, it empowers bankers to meet with clients wherever they are, to deliver a more flexible and personalised offering. ■

Private wealth continues to grow in China

Joint research from China Merchants Bank and Bain & Company has revealed that the number of Chinese HNWIs has shot up from 180,000 to 1.6 million in just over a decade (ie. the number of people with at least RMB10 million (USD1.5 million) of investable assets.) Indeed, as China's wealthy continue to grow richer and more numerous, they've also become more diverse in terms of segmentation, more geographically dispersed and they have more diversified wealth goals. Key report findings:

- *While HNWIs remain concentrated in major cities and coastal areas, 22 of Mainland China's 34 provinces each have at least 20,000 wealthy individuals*
- *About 40% of UHNWIs would consider using family offices for asset allocation, wealth preservation and inheritance, tax planning, legal consultation, and business inheritance planning*
- *The percentage of HNWIs surveyed with overseas allocation has increased from 19% in 2011 to 56% in 2017, but the overall percentage of assets allocated overseas has levelled off*
- *Today, 63% of China's wealthy rely on financial services providers to manage their domestic financial assets, and about half of that group uses private banking services at commercial banks*

Multi-family office insights: Taurus Wealth Advisors

In a video interview, Mandeep Nalwa of Taurus Wealth Advisors outlines growth plans for his firm – and despite the independent wealth management industry's slower-than-expected evolution in Singapore, he remains excited about the future.

After nine years in business, Singapore-based Taurus Wealth Advisors continues to offer an appealing value proposition to its clients: the right investment advice, access to portfolio opportunities not routinely available at private banks, and transparency.

This has all been part of ensuring service standards are high and everything is done via an open architecture platform, in the best interests of the client, explains founder and chief executive officer Mandeep Nalwa.

Although the firm was one of the earlier entrants in the independent wealth space in Singapore, he believes that the validation of its value proposition is clear by looking at the growth in client numbers as well as the opening of an office in Dubai.

At the same time, most of the firm's employees have worked at Taurus for around seven years. The bottom line, says Nalwa, is that those who have performed have never left – further endorsing the culture that the company has developed.

CLEAR PRIORITIES

The next step for Taurus, he reveals, is to further grow its customer base. And adding to the existing crop of nine producers will be key to this.

Although it is challenging to hire good talent in the independent wealth space, Nalwa wants to hire another four to five producers.

He also plans to continue to invest in technology by upgrading its systems and further enhance the service proposition to its clients.

This stems from Nalwa being excited about the opportunity in Singapore within this segment of the industry – despite the growth in collective AUM among independent asset managers and multi-family offices, from around USD8 billion to USD10 billion in AUM to between USD30 billion and USD40 billion, not being as fast as expected. ■

MANDEEP NALWA
Taurus Wealth Advisors


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Towards a 2020 vision for independent wealth in Asia

Our 5th annual event for the independent wealth management community in Asia, hosted in conjunction with the Association of Independent Asset Managers (Singapore), drew more than 300 senior practitioners – from a mix of independent wealth managers and multi-family offices, as well as senior private bankers wanting to learn more about this increasingly influential and expanding segment.

As highlighted by Steve Knabl, president of the AIAM in Singapore, on the back of a thriving local independent community more recently, it is time to prepare for the future, to take the industry to the next level.

Doing so requires an effort by independents along with private banks as custody platforms – and even the regulator – to drive greater industry collaboration and promote a more inclusive professional involvement.

This, believes Knabl, plus many other industry players, will in turn foster best practices in relation to regulations, digital integration, risk management and all peripheral industries.

And this is essential, given the backdrop of the evolving economy populated by millennials and digital expectations.

With a view to a 2020 vision for this segment of the industry, acquiring, building and harnessing new skills – such as digital – are critical success factors.

While Singapore has moved further and faster in this space, Hong Kong has a growing crop of independent firms which are now coming together under a local association too.

Ultimately, developing clear and sustainable business models that charge clients in a way which is in their long-term interests, relies on key elements. These include, for example, a sharing of knowledge, the formation of synergies and the creation of economies of scale through strong partnerships with all industry stakeholders.

Only by reflecting on where the industry has got to, and exchanging ideas on the possible path to the future, can the independent community evolve. With such a willingness to do so, individual firms – as well as those custodians and third parties needed to support and facilitate growth – must ask themselves as a business where they think they will be in 2020, and what they need to do to get there. ■

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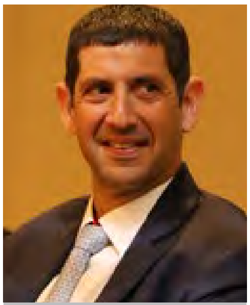

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VP Bank carves clear independent path in Asia

The Liechtenstein-based private bank is expanding its team and enhancing its technology to lure more independent wealth managers to its platform, as a number of its peers struggle to maintain stability or a clear strategy, says Sylvain Gysler.

The growing number of independent asset management firms (IAMs) and multi-family offices (MFOs) in Singapore and Hong Kong provides a compelling case for VP Bank to continue to build out its offering to service this important segment.

And if the first few months of 2017 are anything to go by, all signs are positive that this is the right strategic decision in a market in which many of the bank's competitors are finding conditions tough generally.

For example, VP Bank has added new relationship managers (RMs) in Singapore who are specialised on the intermediaries segment. Plus, it has seen a positive development in term of new AUM as well as profitability, explains Sylvain Gysler, head of intermediaries and multi-family offices for VP Bank in Asia.

"Overall, the restructuring and additional investments we did in 2016 are bearing fruit, and we are on track to go beyond initial targets," he adds.

MAINTAINING MOMENTUM

This gives Gysler cause to be optimistic about the prospects for his business for the rest of the year.

Regardless of unpredictable external factors such as geopolitics and financial markets, which might have a serious impact on today's valuations, there is a growing number of financial intermediaries and family offices in Asia.

At the same time, the consolidation of the private banking industry benefits firms like VP Bank, which he describes as "stable and focused".

He has given himself three goals to help the firm make the most of the opportunity.

First, it aims to further grow its team of RMs to 10 specialists servicing intermediaries – excluding its dedicated investment advisory team and credit specialists. "This will make us one of the most dynamic players in the region," says Gysler.

SYLVAIN GYSLER
VP Bank

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Secondly, VP Bank will continue to make significant investments in digitalisation.

"With our new information platform we are delighted to present a further innovation to our intermediary clients," he says.

The new platform gives access to a range of services like detailed information on market developments, regular publications on economic issues, a knowledge base providing easy access to information on current tax and legal issues, and various forms and brochures assisting intermediaries.

"Moreover," adds Gysler, "we are further investing in the bank's sophisticated e-banking, giving smartphone access to trading capabilities as well as data-feeds to Intermediaries' portfolio management system."

The third objective is to capitalise on the bank's stability.

"In this volatile environment, where our competitors seem to have lost focus, our stakeholders are looking for stability which starts with staff retention while attracting the best talents," says Gysler.

"This has been my aim since joining VP bank at the beginning of 2016 and now we are glad to bring it to the next level that I see as a key differentiation factor. Let's call it, being the 'employer of choice'," he adds.

ALLEVIATING DOUBT

Keeping intermediary clients at the centre of all the bank's decisions will continue to a critical success factor in the current environment.

Combined with a stable, nimble and lean organisation, this can help address concerns that Gysler says intermediaries seem to have more broadly about the alignment of the strategy and commitment to their own segment from their custodians.

"[IAMs and MFOs] want to partner with an organisation which is dedicated to grow its intermediaries platform over the long term, without relegating it as a second priority behind their own in-house bankers," he explains.

"At VP Bank, the intermediaries business is part of our DNA," he adds. "The bank's founder, Guido Feger, was himself one of the most successful trustees in Liechtenstein, and the intermediaries business is a core competency of the bank."

The bank's reporting structure, which sees its Asian business answer directly to the local chief executive officer also ensures a better understanding of the clients' needs, plus provides instant flexibility and support when needed.

This is coupled with what Gysler describes as a strong governance framework in place, to avoid any conflict of interests with clients of intermediaries.

"The restructuring and additional investments in 2016 are bearing fruit... we are on track to go beyond initial targets."

"Not only are we segmenting clients by AUM but we treat all partners on their own merit, without a rigid grid structure, but instead by taking a pragmatic business approach."

Being able to offer tailor-made solutions to clients also gives the bank an edge over any competitors that try to standardise or institutionalise the offering to intermediaries, believes Gysler.

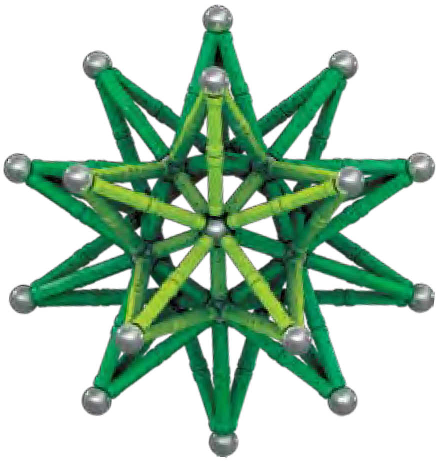
At the same time, each of the RMs servicing intermediaries has a dedicated assistant. "This is important at a time when some of our competitors have been freezing headcount in this segment or, even worse, downsizing," he adds.

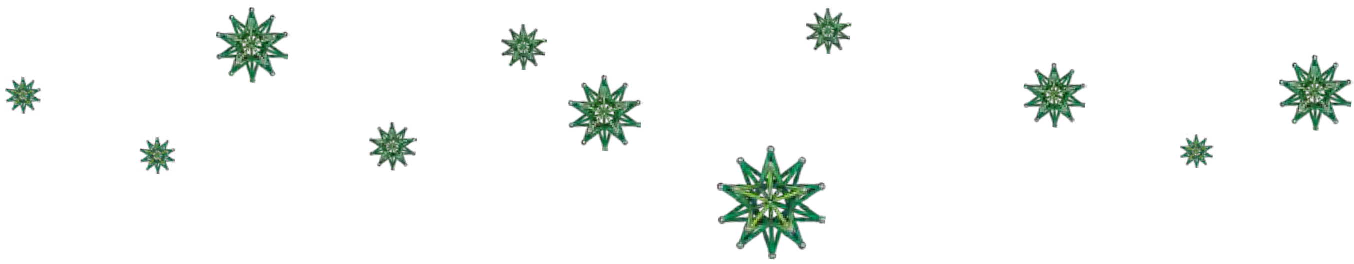
STICKING WITH A PROVEN PRINCIPLE

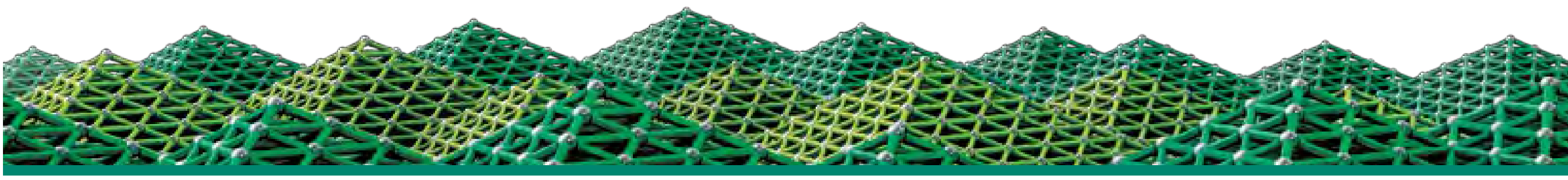
It goes without saying that demographic changes are bringing about a more diverse client base in Asia – and hence new challenges.

Yet for all the market upheaval, technological change, generational shift and reallocation of wealth, in Gysler's view, the essence of the advisory relationship has hardly changed. "Regardless of whether a 'baby boomer' or 'digital native' is thinking about asset management or financial planning, the fundamental mechanisms remain the same," he says. "They invest in what they know. Their number-one priority is to provide security for their family. Despite all announcements to the contrary, humans will not be replaced in the foreseeable future."

As a result, instead of competing against machines, he believes the industry must consider their added value as a complement to the possibilities of the digital age. "The goal is to skillfully combine digital platforms and personal advisory," adds Gysler. ■







Towards a new model for advice

Transformation is gathering pace across the international advice market, but being able to demonstrate the value of advice to clients remains a challenge, say Ian Kloss and Mark Christal of Old Mutual International (OMI).

Regulatory change across the world coupled with shifting client expectations are forcing advisers on a 'transformation' journey in terms of their business model.

But where exactly they are at, and what support they might require, varies across regions.

In Asia, there is far-reaching belief in the need for regulatory change – according to the results of a May 2017 survey of financial advisers by OMI across its main jurisdictions – with 210 respondents, 85 of which were based in Asia.

Around 88% of respondents in the region cited a mix of benefits, the most popular being: ensuring greater transparency, which benefits the client; raising the bar and adding credibility; and putting a greater focus on advice rather than being sales led. And a similar number of advisers (90%) said they recognise the benefits of moving from full initial up-front fees/commission to taking less up-front and more on an ongoing basis.

Meanwhile, nearly two-thirds (63%) of them have either transitioned their business or are in the process of transitioning their model and changing the amount of business they write on a full initial up-front fee/commission basis, said the survey. Their main goals, they said, include: building better long-term relationship with clients; improving the value of the business; and lowering initial charges help improve client outcomes.

"The vast majority of advisers are evolving their charging model towards an ongoing service proposition with their customers, and they recognise the significant customer benefits this can bring," adds Mark Christal, head of region, North-east Asia and CEO for Hong Kong for OMI.

MARK CHRISTAL
Old Mutual International

VALUE OF ADVICE

At the same time, the survey saw 69% of advisers in Asia say that they find it difficult to demonstrate the value of the

IAN KLOSS
Old Mutual International

advice they offer clients. "Financial advice is a hugely valuable service but for many years the cost, and therefore the value of advice, has not always been transparent enough," explains Christal.

This also perhaps highlights the fact that for years, clients haven't necessarily distinguished between commission and charges. As a result, they may have the impression that advice is free, which grossly devalues the important service that financial advisers deliver.

"With the client expectation and international advice landscape changing, the need for advisers to move towards clearer, transparent customer-centric charging models and to demonstrate the value they are adding is becoming increasingly important," adds Christal.

Yet he believes that many advisers will find this a challenge. A good starting point nonetheless, he adds, is recognising the importance of financial planning in helping customers reach their financial goals and focusing services for each customer individually – not just based on portfolio size.

OUTSOURCING ON THE RISE

To address some of the hurdles in delivering advice in a more relevant way, outsourcing to investment experts is becoming increasingly popular. When asked specifically in the survey about their use of discretionary fund managers (DFMs) or discretionary portfolio service (DPS), 64% of advisers said their use will increase in the next 12 months.

"Financial advisers that are both expert financial planners and qualified investment managers are probably in a minority. Investment management requires a different technical knowledge, skill-set and huge resources, and is a very different proposition from financial planning," explains Ian Kloss, head of region, South-east Asia and chief executive officer (CEO) for Singapore at OMI.

In line with this, it is of little surprise that financial planners are increasingly looking to delegate responsibility to those for whom investment management is a core business activity.

By working together in partnership with a DFM, or investing in multi-assets funds, for example, Kloss says advisers are able to focus on the financial planning aspects with their client while the investment expert focuses on managing the investments.

"This in turn will allow financial advisers to focus on the area of real value: understanding the client, meeting their evolving and complex financial needs and ensuring the plans in place will get them to where they wish to be in life," he adds. ■

Clarity on insurance offerings

The OMI survey also shows that 25% of advisers in Asia are unaware of the difference between universal life (UL) insurance and variable universal life (VUL) insurance (50% are aware and 21% are very aware).

Yet since low interest rates in the past few years provided attractive premium financing for leveraging universal life policies, Kloss says the findings are perhaps not surprising, since UL has been sold in the region for many years.

However, he believes it is encouraging that a greater proportion of advisers are now becoming aware of the alternatives – one of which is VUL.

"Although some advisers believe increasing interest rates have limited impact to premium financing, the dynamic may change when the cost of borrowing continues to rise whereas policy return cannot match or lag behind," says Kloss.

The beauty of VUL, he explains, is that it accepts transfer of existing assets as premium so clients don't have to liquidate. "Therefore, current interest rates and premium financing have little or no impact on the suitability of the product."

Further, VUL has the flexibility to invest in a wide range of assets offering a better investment opportunity whilst providing the life cover needed. "It also has the freedom to dial up or dial down the insurance as and when needed," adds Kloss.

A better insurance experience for clients and distributors

In a video interview at the Hubbis Digital Wealth event in Singapore in June, James Tan of Tokio Marine Life Insurance talks about some of the new digital tools and technological advances the firm is spearheading, for the benefit of distributors and end-clients alike.

Tokio Marine Life Insurance in Singapore is undertaking various digital initiatives to meet its underlying philosophy of applying practical technology to help make life easier for customers as well as distributors, says chief executive officer James Tan.

In line with this, and as an industry first, the firm launched a Chabot in order to utilise artificial intelligence (AI) in its interactions with its distributors, he explains.

This enables distributors, for example, to be able to ask questions 24/7, plus Tokio Marine Life Insurance can now more easily deliver relevant information to them directly, adds Tan.

The next step is to offer this to customers in the third quarter of 2017. Giving them access to information around-the-clock is key in today's environment, adds Tan.

This enables the firm to meet the demand for answers to any questions they might have.

In fact, perhaps up to 30% of the questions that customers ask will soon be able to be addressed by the Chabot.

INTERNAL GAINS

For the Tokio Marine Life Insurance staff, therefore, this is also a powerful tool in terms of driving efficiency gains, he adds.

Further, the firm's staff will be able to spend more quality time with customers, rather than needing to answer questions that the Chatbot can handle.

DRIVING INNOVATION

At the same time, the firm has launched its documentation-submission app, where pictures can be sent via a Smartphone directly to the back office for processing. This saves a lot of time for the back office and for distributors – and has seen over 1,200 downloads since launch a few months ago.

JAMES TAN
Tokio Marine Life Insurance

Reinventing advice and value in Asian wealth management

Our 8th annual event in Singapore for the region's most senior individuals in the private banking and wealth management community saw practitioners discuss how the industry can refine its value proposition and capitalise on the growing need for sound advice.

Despite an impressive and positive first few months of 2017 in terms of performance for financial institutions and clients alike, it remains a time of much change and uncertainty for the Asian wealth management and private banking industry.

Only a small number of players are profitable, and the broader wealth management industry is increasingly polarising – those firms making headway seem to either be the largest institutions with scale, or those that are more focused and niche in their strategy. As a result, wealth managers of all sizes and business models need to pay closer attention to what brings real value to clients.

In particular, the regulatory direction – both globally and in Asia – is likely to create a shift in wealth management models to fee-based solutions from transaction-based sales.

As long as the incentive structures at most banks don't change, the style and substance of advice given to clients will be questionable.

Increasing compliance, risk and administrative costs will simply further erode profit margins and speed up the consolidation wave within private banking, as has already been seen in Hong Kong and Singapore.

The concept of needs-based conversations is ever-more critical, backed up by the right advice and relevant, contextual, timely information – via a blend of digital and human touch-points. Yet for many institutions, this seems harder to achieve than they think it will be.

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And with the next generation increasingly important, there is a pressing need to adapt service offerings and solutions, as well as the ways to deliver content and advice. For all players, differentiation is key to survival. ■


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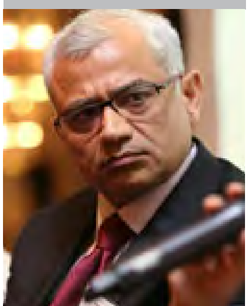
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Breaking boundaries in the Philippines life sector

Insular Life's Nina Aguas wants to broker fresh ideas on savings mentality and new products for the country's oldest insurance company.

The growth of wealth in the Philippines is presenting opportunities to financial institutions across all products and services, but especially in life insurance. Delivering a broader offering is certainly key in helping what is mostly new-found wealth to find a meaningful direction for future growth.

With this, obviously, comes the need for savings, investment and insurance vehicles – all of which are products that are currently available but under-utilised, according to Nina Aguas, chief executive officer at Insular Life.

"Wealth is being created in the Philippines, but not probably to the velocity that we want to see, because if you look at consumption alone, cars are a good barometer for how wealth is getting created one way or the other," she says.

"If we teach people how to look at setting something aside for the future as early as possible, with education at the grassroots level, then we can go forward."

"[Overall], there are more wealthy people, certainly in the middle class, and this is growing."

NINA AGUAS
Insular Life

Yet, as a country, there has always been a certain amount of what Aguas calls "under-saving". As a result, there is a need to start early with education.

"If we teach people how to look at setting something aside for the future as early as possible, with education at the grassroots level, then we can go forward," she adds.

"If we are able to educate our future savers and part of our system allows us to teach the children at a very young age to save and invest, then at a certain level when they start working, we can encourage them to further consider investments, rather than just buying the next branded shoe, dress or bag."

INSURANCE LEADING THE DRIVE

Insurance companies have a particular need to teach the youth how to save from an early age.

Aguas is a strong proponent of this, since joining Insular Life in January 2016 to spearhead the business.

Indeed, she has a broad perspective on how to develop the right mind-set among the affluent, having held previously executive positions with Philippine Bank of Communications, Citibank, and ANZ.

One of the early milestones that Aguas laid down for Insular Life was to cement a bancassuracne deal with UnionBank of the Philippines, which was completed in January 2017.

"This was our first deal of this kind and it was almost my whole focus for the fourth quarter of last year. We were the only local bidder in that whole exercise and I am glad we won it."

"Leveraging more on our digital processes is a priority. We are at the forefront of the very first automated underwriting system that can fulfil and deliver a policy or a decision on a policy within 30 minutes."

As with any partnership, there is no greater feeling for Aguas than that of finding the right firm and together, offering products and services which impact local families and communities in a profound way. "We were in search of a bancassurance partner who shared our values," she adds. "We have a long tradition of steadfast commitment to our policy-holders, a respected Filipino company in a Philippine industry dominated by foreigners. UnionBank is also a proud Filipino company, recognised internationally, as among the best-in-class in global league tables."

EVOLUTION

Aguas is now turning her attention to modernising Insular Life, a 106-year-old insurance institution.

She wants to accelerate the company's development towards grasping the digital age and ensuring it is no longer inward-looking in its outlook.

"Leveraging more on our digital processes is a priority," she urges.

"We are at the forefront of the very first automated underwriting system that can fulfil and deliver a policy or a decision on a policy within 30 minutes, so that has to be finalised and running smoothly."

She also says she will focus more on customer centricity.

"In an industry such as ours it's little bit harder, compared with a bank, for example, where the conversations are more frequent with clients," explains Aguas.

"With our operation, once you underwrite it can take another nine months, or even a year, to have that conversation with the client. We want to focus on the perspective of our potential customers and how we can fulfil customer needs," she adds.

Another area to fall within her spotlight is product innovation within insurance in the Philippines.

"We could do more with REITs, as part of the real estate insurance area," explains Aguas.

"But we don't have instruments for this type of product in the Philippines. We are in insurance business looking for both yield and duration, and it's very limited in that sense. I would really like us to look at how we can make insurance more affordable." ■

Writing a new chapter for wealth management in Thailand

Amid the broader push to bring product and service offerings in the country closer to global standards, Phatra Securities is enhancing what it brings onshore clients. This includes a pioneering deal to access the reach and diversity of Credit Suisse's platform.

As local and foreign banks alike vie for a greater share of the fast-growing and increasingly liberalised market for wealthy Thais, Phatra Securities can boast something which is rather unique.

The firm has inked a path-breaking agreement with the part of Credit Suisse's business which covers external asset managers (EAMs).

It essentially provides onshore clients with access to the suite of investment products available on the Swiss bank's platform.

This follows the desire more broadly among Thai investors – and the wealth managers servicing them – for greater product diversity and depth in their portfolios.

It is all in response to the long-term plan of the Bank of Thailand (BOT) and the country's Securities and Exchange Commission have been gradually easing some of the previously-tight regulations to allow investors in Thailand to directly invest offshore in certain asset classes.

And in line with this new regulatory mind-set, Phatra has wanted to develop more of a direct offshore investment option for clients of its wealth management unit.

The Credit Suisse tie-up is the Thai firm's answer to how it can leverage this for the benefit of its clients – and, more broadly, to be able to create a clear point of differentiation.

"We are now able to offer a more efficient and effective platform to help wealthy Thais to invest from onshore," says Kulnan Tsanthaiwo, who spearheads Phatra's wealth management business across all segments.

It is also a logical extension of the firm's mantra of providing an 'international standard with a Thai touch'

KULNAN TSANTHAIWO
Phatra Securities

CREATING UNIQUE CONNECTIVITY

The Phatra-Credit Suisse agreement took a year of discussions between both

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NARIT KOSALATHIP
Phatra Securities

"It isn't about individual products, but rather how to use them as a solution."

parties until the deal came to fruition. This was down to the fact that the Thai firm is an institutional client for Credit Suisse's EAM desk; whereas this team more commonly deals with individuals as part of the independent firms in Singapore or Hong Kong,

Part of the appeal to Phatra was to accelerate the firm's step along the path towards liberalisation by implementing a best-in-class investment arrangement.

Money from wealthy Thais has moved offshore over the years to meet various needs. These range from political and investment diversification, to access to a wider range of products, to a desire to keep revenue already created offshore outside of the country.

"But there are still a lot of rich people with large chunks of money onshore who want and need to diversify into a wider range of products, geographies and asset classes," says Narit Kosalathip, who looks after the private client segment within the wealth management side of Phatra's business.

Being realistic, Tsanthaiwo knows that building an equivalent platform internally would take four to five years.

Today, as a result of the perseverance on both sides, an existing Phatra client in Thailand who successfully passes the Credit Suisse KYC test can now buy the majority of the products on its investment platform, booked in Singapore.

More specifically, this includes equities, bonds, mutual funds and even some hedge funds for certain types of clients.

GREATER CHOICE

Yet this is certainly not the end-game. Instead, it is the first step of a grander plan for Phatra in order to be able to create a try open-architecture platform for it clients.

In practice, the Phatra product team will take the investment view of the firm's CIO office to discuss with the product specialists within the Credit Suisse EAM business to determine what type of product or solution makes sense to help implement the view.

"It isn't about individual products, but rather how to use them for clients as a solution for their needs and goals," explains Tsanthaiwo. But this is more than just selling a Credit Suisse product to the client, she adds. "It involves discuss-

Servicing all segments

Phatra focuses on servicing clients across the various segments, according to their net worth.

Within the commercial bank, a priority banking service with around 60 relationship managers (RMs) looks after upper mass affluent clients with deposits of THB10 million (USD 285,000) or more with the bank.

In addition, Phatra Edge was launched three years ago, as an online investment porta to target white-collar individuals with a new account of at least THB2 million. It currently has around 20 RM.

They can also then can use the firm's open-architecture platform, and the bank can offer more specific financial planning needs to them. This is mostly to deliver these clients with mutual funds, plus they can be more self-directed.

The private wealth business, meanwhile, for clients with THB30 million or above, has around 60 RMs.


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ing an idea with the client and then we will source the product to put it into the mix of what we offer clients."

Credit Suisse will therefore be one of the investment platforms that Phatra accesses, with the Thai firm emphasising that the client is dealing with Phatra. "We believe we can pursue this type of agreement on an open-architecture basis," adds Kosalathip.

Already, for example, the firm works closely with Phatra's own capital markets and investment platform via the securities business.

This is an important component, given the firm was the first local house to provide investment banking services – to help clients in strategic plans such as fund raising activities and M&A.

Further, it seeks to add to its services the credit and structured products through the cooperation with Kiatnakin Bank. And with cooperation from Bank of America Merrill Lynch, it is able to offer clients with global products.

CATERING TO NEW NEEDS

The evolution of Phatra's wealth management offering is also likely to soon come in terms of a move which Tsanthaiwo says the firm is contemplating into wealth solutions. This is in line with the aim diversify the business beyond simply advising clients on their investment strategy. Plus, it follow client interest in real estate, tax planning and other wealth planning services.

The shift in this direction is still under discussion, adds Tsanthaiwo, given that this is a relatively conservative organisation. "To help clients to transfer wealth across generations is a big move to make." But given the precedent set with Credit Suisse in terms of the willingness to collaborate with partners to achieve specific objectives, this is another option going forward.

What's already underway is a service advising clients on their real estate transactions. Portfolio for property investments, or PPF, as the firm refers to this financing, is also an extension of the step taken in late 2015 to introduce Lombard Loans. "We are the first and the only bank in Thailand to offer this collateralised loan for HNW clients," explains Kosalathip.

Given the sizable real estate and property investment portfolios its clients have, and the passion many of them share in these areas, Phatra realised the opportunity to take the Lombard Loan offering to another level.

"We have developed PPF as a solution for clients either to unlock liquidity from their current property holdings or to leverage in their future property investment," says Kosalathip.

In fact, PPF is just another variation of a Lombard Loan. What makes it a unique solution, he explains, is that the firm can count property as additional collateral to financial assets in a client portfolio. "We can only offer this solution because we leverage Kiatnakin Bank's capability in real estate lending," he adds. "We have pilot-launched this solution since the beginning of 2017 and we have been officially offering it to our client since early March."

CLEAR PRIORITIES

The current game plan for Phatra will make the next 12 months an exciting journey for the firm.

Initially, it is focused on make sure it gets the offshore relationship and connectivity right with Credit Suisse. It wants to then develop and evolve the Phatra Edge offering via some wider marketing to lure white collar workers in need of financial planning. "This is more than just way to get clients for our private wealth business, but to give them the planning advice they need," says Tsanthaiwo.

In line with these goals, she then wants to build on a recently-established investment solutions team – launched with the view of being able to diagnose what HNW clients need, and then propose solutions other than transactions. "We will use this approach to help further grow our AUM and fee income," adds Tsanthaiwo. "A lot of our clients could be doing more with the wealth they have, but we are not offering them the scope of solutions yet." ■

Building on solid foundations

The underlying philosophy across the wealth management offerings at Phatra is to deliver what the firm describes as a sincere quality of service. "We never have a KPI on the product level, as this is not in the clients' interest," explains Kosalathip.

The approach seems to have worked to date. The firm reports the equivalent of roughly USD11 billion in AUM, which Kosalathip says it purely made up of client assets held in investment products – it doesn't count money held on deposit.

This has increased due to steady growth in the private wealth business of around 20% annually in terms of AUM over the last few years.


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RHB refines wealth strategy to grow top segment

The Malaysian bank is pursuing small- and medium-sized businesses as part of an expanded mandate to help grow its affluent base. The potential synergy will be beneficial amidst this challenging period, explains Calvin Goon of RHB Banking Group.

Industry observers of Malaysia's wealth management landscape believe the next decade will be increasingly challenging for HNW individuals who are constantly seeking yields while grappling with an uncertain economic outlook.

Factors such as the growing complexity in China's credit space; Brexit and the Euro uncertainty; and central banks shifting gear from accommodative to tightening, are posting more challenges for the markets moving forward.

HNW individuals, from Malaysia and globally, are concerned with three main issues, namely: inheritance, global economy and tax.

In turn, banks are looking to introduce new strategies, products and solutions to address clients' concerns respectively.

"One of my top priorities is to grow the customer base as well as increase investment product penetration."

Looking at the small- and medium-sized enterprise (SME) space, there is so much untapped opportunities for institutions to work on.

Considering this type of SME, as well as HNW investors, a more specialised and personalised approach is required. In line with this, RHB Banking Group has created another segment – Private Clients and Business Services – specifically for those customers who hold assets worth USD1 million and above.

CALVIN GOON
RHB Banking Group

"These clients are much more sophisticated and will demand customised products and solutions, and also prefer more attentive services due to their nature of business," explains Calvin Goon, head affluent division, at RHB Banking Group.

WORKING HARDER FOR THE CLIENT

The engagement between the bank and these clients is vital, as it boils down to the overall client experience and also the impression the bank hopes to present.

"The rule of thumb, most of the time, is manage the risk to avoid losses of their capital while seeking some returns," says Goon.

With the inflation surge becoming a global phenomenon, it is also eroding the real income of Malaysians, who are unfortunately facing challenges as a result of the depreciation of the Ringgit over the last few years.

"The solutions that clients are looking for are often linked to foreign currencies nowadays," adds Goon.

Such investments are becoming more and more important in client portfolios as they provide the benefit of diversification, hence preventing one from putting too much risk in a single basket.

BIGGER AMBITIONS

Goon began his career with Maybank, and later moved on to UOB, followed by HSBC, before joining RHB in 2015. He has been involved in the HNW space since 2009.

He is currently prioritising a few key items for this year's agenda as his portfolio expands.

"One of my top priorities is to grow the customer base as well as increase investment product penetration," he explains. "There are exciting opportunities for us to explore backed by favourable synergies to help us expand our client base and also improve the product penetration rate."

"We are now providing a goals-based solution, taking into consideration the client's financial situation, investment time horizon, and risk-return appetite."

Recognising the shortfall, especially the low awareness of RHB's offerings, the bank knows it will need to update its clients constantly on what it can do, and how it can assist them on their daily needs, adds Goon.

With that, clients will gain more confidence and feel comfortable with RHB as a whole, in turn leading to a healthy growth of AUM and improvements in customer loyalty.

STREAMLINING

One of the hurdles that Goon – and RHB – faces, is to address the different requirements of various clients.

In other words, the theory of 'one-size-fits-all' is no longer applicable in the current environment. In addition, the common perception is to choose foreign banks over Malaysian institutions where wealth management is concerned.

Goon explains that RHB is moving away from the traditional approach to selling, or rather 'product pushing'.

"As such, we are now providing a goals-based solution, taking into consideration the client's financial situation, investment time horizon, and risk-return appetite," he says.

This solution is achievable through a portfolio, comprising various products including insurance, unit trusts, treasury products and others.

There is clearly much work to be done behind the scenes to create the model portfolios, but it doesn't stop there. "We also conduct regular portfolio reviews with our clients, keeping them updated on what is going on around the world, what are the potential impact towards their portfolio and how they should strategise their investments accordingly," says Goon.

The end-goal is to enable a client to log-in to the bank's internet and mobile banking platforms, and to transact at any time, from any location, while enjoying very competitive rates.

"Soon our clients will be able to enjoy DIY investing, aided by technology," adds Goon. ■

How India's largest wealth manager stays sharp

Innovation and a can-do, entrepreneurial spirit are evident at IIFL Investment Managers, in its continued pursuit of growth, says Karan Bhagat – who is also the latest winner of our award 'Indian Wealth Management - Award for Excellence'.

As someone who enjoys playing poker in his spare time, Karan Bhagat is certainly 'all in' when it comes to the wealth management game.

He has clearly taken a calculated approach so far. This has seen Bhagat, who at 40 is the founder, managing director and chief executive officer of IIFL Investment Managers, spearhead the firm's growth from a standing start to a business nine years later with USD18 billion in AUM from 230 front-end advisers across 22 locations.

In working with his fellow senior executives to create what is understood to be India's largest wealth management firm, innovation has been a key card that Bhagat and IIFL Investment Managers have played to date.

A case in point is the pre-IPO fund that IIFL Investment Managers' asset management arm launched early this year. The USD500 million IIFL Special Opportunities Fund has a mandate to predominantly invest before and during the IPOs of private companies. The aim is to give the firm's HNI clients the opportunity to participate in IPOs as anchor investors through the Qualified Institutional Buyers route.

"Could somebody else have done this?" asks Bhagat. "The answer is yes, but it's different... we did it first."

THE RIGHT CULTURE

The new fund highlights what IIFL Investment Managers can bring to the table for its clients – and therefore justify the fee it charges them for a unique offering.

"You can't just get up in the morning and decide to innovate today; that's not going to happen," he adds. "It's got to be [part of the] culture." This also stems from a mind-set of being willing to try new things – and also not being afraid to fail. For example, when he was only 17, Bhagat, hailing from a 'Marwari'

KARAN BHAGAT
IIFL Investment Managers

family in India (hailing from the Marwar region in the northern Indian state of Rajasthan and known for business acumen and work ethic), founded a travel agency that didn't go so well.

Rather than taking a back seat after investment by General Atlantic, however, there was no talk of a sunset stage. "We are far away from that," he says. "It is just the start. The sun is shining on us."

"You can't just get up in the morning and decide to innovate today; that's not going to happen. It's got to be [part of the] culture."

Unperturbed by the outcome of his maiden venture, Bhagat went on to do a Master's programme in Business Administration, Finance & Strategy at the renowned Indian Institute of Management in Bangalore.

Post-IIM in 2001, he joined Kotak Mahindra Bank, becoming the Mumbai head of the bank's wealth management division.

ALL OR NOTHING

But being his own boss at 17 was infectious. In December 2007, at 28 years old, Bhagat resigned from Kotak to join the office of IIFL (previously India Infoline), to ask the chairman, Nirmal Jain, to back the idea for his own wealth management practice.

Jain bought into the pitch and Bhagat, along with Yatin Shah and Amit Shah, founded IIFL Investment Managers (then known as IIFL Private Wealth Management). In October 2015, IIFL Investment Managers sold a 21.6% stake in the wealth unit to General Atlantic for INR1.2 billion (USD173 million).

"There has never really been a dull day," reminisces Bhagat, "and as we [develop] different things keep coming along."

SIFTING CLIENTS

IIFL Investment Managers also has a very clear view on the types of clients it feels it can add most value to; it doesn't want to go below the equivalent of USD3 million in financial assets invested with the firm. Effectively, this means a client will need to have a total net worth of at least USD5 million to USD10 million across their various providers.

Some exceptions exist, says Bhagat, where, for instance, a client is 40 or under, since this gives the firm a longer timeframe and more of the individual's lifecycle to participate in their wealth accumulation and management.

While this approach to segmentation leaves large under-penetrated groups of India's wealthy – including salaried individuals – it also offers an opportunity for the group's asset management offering to leverage distributors such as commercial banks, including the likes of ICICI Bank, Axis Bank, and HDFC Bank.

But Bhagat also sees a large amount of money moving from non-financial / unsecured forms of savings to financial assets. Plus, a greater number of people are falling within the tax net. In all cases, there are compelling reasons for them to look to save and invest money in a more constructive manner.

Lower fixed income returns might also force some individuals to look at optimum methods of investing, he adds. Such strong tailwinds in the wealth management business are likely to continue to play out over the next 10 years, he predicts.

This also bodes well for the leadership transition that he and his fellow management team have earmarked for a few years down the line, when they will look to take on a lighter role and hand over the reins. ■

Fresh blood

As part of this next phase of the evolution, IIFL Investment Managers plans to add a large number of new relationships, with a particular emphasis on new-to-bank relationships, to benefit from the tailwinds of growth in the country.

The firm is also realistic about the need to be patient, especially since customers typically don't buy advice on day one. It might take until the 12th month, or even longer, before that happens.

"Our effort in launching new products is to ensure that we get as many new-to-bank clients as possible," explains Bhagat.

"The moment we lose sight of that, it will become a stagnant franchise and we will only be able to add assets from existing families, which is something that happened to a lot of [wealth management] organisations from 2007 to 2012/13."

Re-calibrating the Thai wealth management market

Our 6th annual event for the community in Thailand explored how to capitalise on the ever-wider opening of the market and opportunities to service the investment, family and protection needs of domestic Thai affluent and HNW clients.

ow seems to be the best time in the history of Thai wealth management for the industry to grow – both in terms of size and capability.

Regulators have created channels for domestic investors to access a greater variety of offshore investments. This has created greater awareness – and appetite – of opportunities to diversify portfolios.

For example, the recently issued regulation in early 2017, the Ultra-Accredited Investor Mutual Fund, shows the regulators are keen to allow asset managers to offer more investment alternatives to local investors.

Combined with a more realistic client mind-set in terms of investment returns and a hunger by local and foreign players alike to participate in the growth of the Thai market, the potential finally matches the optimism.

At the same time, much more has to be done to enhance standards and training – both for advisers and clients alike.

Further, with efforts via platforms like FundConnext to facilitate mutual fund distribution in a meaningful way, advisory capability and process are under the spotlight.

These were among some of the key-take-aways from the 6th annual Hubbis event for the leading practitioners across local and international institutions operating in wealth and asset management, as well as insurance. ■

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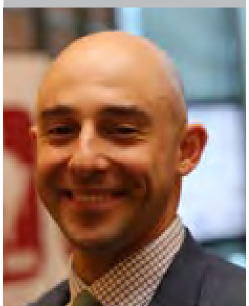

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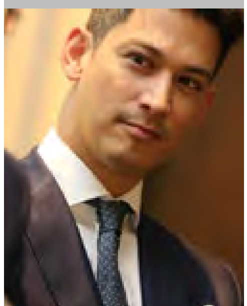

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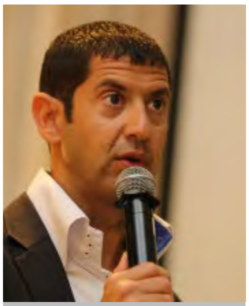

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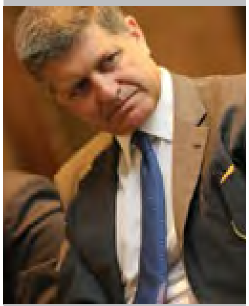

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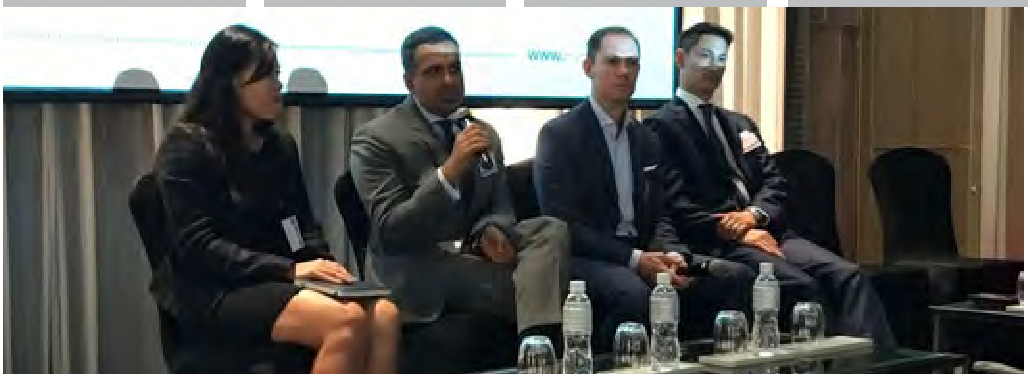


Kotak's pillars of wealth management success

Kotak Mahindra Bank's private wealth AUM will increase rapidly given its demonstrated ability to deliver the right mix of people, products and platform, says Jaideep Hansraj.

Jaideep Hansraj has fashioned the evolution of Kotak Mahindra Bank's wealth management and priority banking business based on what seems to be a simple philosophy.

"The three key things I have worked hard to closely guard are my people, our products and the platform," explains Hansraj.

Indeed, if all three components are in place and well-executed at any private wealth firm, the chances of building, retaining and expanding the business become very real. "Whenever I look at competing firms, I base my assessment on how well the firm will stand on each one of the three pillars.

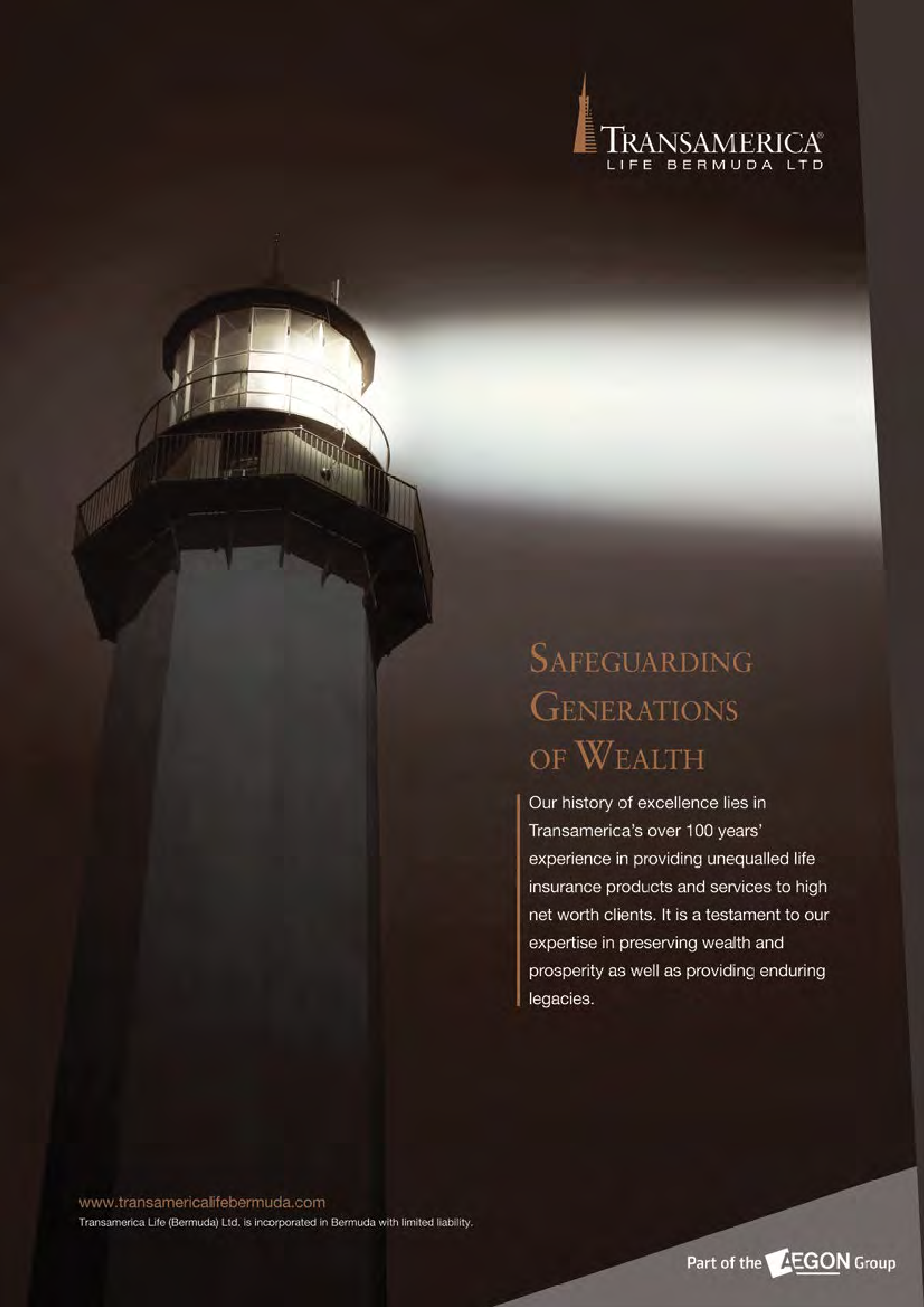
That is my only focus," he adds, chief executive officer of wealth management and priority banking at the bank.

"The three key things I have worked hard to closely guard are my people, our products and the platform."

JAIDEEP HANSRAJ
Kotak Mahindra Bank

A NEW DIGITAL DIMENSION

Apart from his belief on the 'fundamentals' of wealth management he also acknowledges that advances in technology will be a further big driver for the industry going forward. "Digital will become really big," he predicts. "I am not so much talking about robo-advisory, because I am not the guy wanting to trade online.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But I am keen that we work on areas like the ease of reporting, the ease of MIS and the ease being comfortable with a bank, on behalf of our clients. To me, these will continue to be priorities."

As things stand already, Hansraj says his strength is the operational side of his business.

"We are among the few players having a demonstrated expertise of over two-and-a-half decades. In the past three years, we have meticulously focused on expanding our advisory services to boost our existing relationships with the clients," he explains.

And with his AUM in the private wealth arm having grown by almost 45% in 2016/17, he clearly has confidence in the business model.

"With no capital and return on equity infinite, it's a great business model," he explains.

"Yes, it has virtually zero entry barriers, but that's why it's so attractive to so many people, because there is hardly any use of capital; it's pure franchise income."

GUNNING FOR GROWTH

Hansraj manages two divisions of Kotak Mahindra Bank – Kotak Wealth Management, the unit focusing on niche needs of Indian UHNIs located both in India and abroad; and Kotak Priority Banking, a division focusing on the investment and banking needs of mass affluent.

Under Kotak Wealth Management, he also oversees family office and offshore wealth propositions, which includes exclusive offerings on investments, banking, succession planning and family wealth structuring.

With a huge chunk of the wealth in India at the upper end of the spectrum being contained within family networks, Hansraj is astute of the target audience who needs advice and guidance for wealth management. "I see huge traction in our trusteeship business," he explains, "and I see huge traction in our pure advisory business, in terms of which businesses to look at to put surpluses in, rather than from an investment point of view."

"I see huge traction in our trusteeship business, and I see huge traction in our pure advisory business, in terms of which businesses to look at to put surpluses in, rather than from an investment point of view."

The types of issues that clients need to consider, for example, relate to where the next generation should be located.

"Should they be in Singapore, or in Dubai?" asks Hansraj.

"Should they look at setting up a paper plant, a cement plant, or buying a hair-oil manufacturing company?"

Such a change in investment attitude may also be attributed to the changing of the guard with business-owning families, as new generations take control.

But Hansraj is reluctant to pinpoint any hard-and-fast new strategies that his team may be looking to deploy for clients.

"Every individual – whether family office member or adviser – is different, and each member of the next generation is different," he says.

"I haven't dealt with too many of the third generation yet, but advising two generations is quite common now. The requirements of each generation differ, with the youngest keener on technology and less interested in safe, steady investments," he adds.

While there is no set pattern, however, the people, product, platform philosophy remains core to the Kotak offering.

As a result the broad things he says he would expect, or want, to advise the younger professionals coming into the wealth management business today, would be to formulate a generic practice on how to manage different generations.

"In my opinion, they should be treated on a family-to-family basis," adds Hansraj. ■

Banking on India's trust to create a wealth edge

It is the near-blind faith that Indians all over the country have in State Bank of India (SBI) that gives Nimish Shah reason for optimism in delivering on plans to grow the state-run institution's recently-launched wealth management business.

It wouldn't be too far-fetched to say that SBI is an institution that the vast majority of Indians would trust with their eyes closed. It owes its origin to the Bank of Calcutta, founded in 1806 in British India. And the name itself conjures up the image of a monolith that's backed by the full force of the government.

Yet so far, the institution has failed to capitalise on the head-start it's had over pretty much all other banks, which today vie for the growing amount of wealth held by individuals across the country.

The key to the plan to benefit from peoples' trust, lies hidden in numbers. India has a population of 1.3 billion people and is witnessing a growing crop of affluent individuals. The bank has woken up to the potential of tapping the wealthy, both at home and abroad.

"We have a lot of scope and ready infrastructure, in terms of resident Indians and non-resident Indians (NRIs). Both groups represent huge opportunities available to us."

NIMISH SHAH
State Bank of India

SBI's wealth management division is small in comparison; while it currently advises about 10,000 Indians with an average wealth of the equivalent of USD110,000, the bank has over 200,000 clients who can meet the on-boarding criteria for wealth management.

"We have a lot of scope and ready infrastructure, in terms of resident Indians and non-resident Indians (NRIs). Both groups represent huge opportunities available to us," says Nimish Shah, SBI's head of investments, research and products.

Also in the bank's corner is the fact that India has the largest population of people living abroad. According to a UN report, for example, there are 16 million NRIs.

"We are attracting a lot of talent purely from the brand name of SBI," says Shah.

number of people SBI is able to hire. "The infrastructure is not a problem, and the clients are not a problem... [but finding the] right quality of people is the major focus and challenge," he adds.

Shah said the bank wants its 100-member team to grow to at least three- to four-fold over the next 12 months.

MAKING A DIFFERENCE

Even if it gets there, how will SBI to stand out in an already-crowded wealth management landscape?

"It's more in terms of holistic wealth management, which is unbiased and

"We are building the entire organization. Right from creating the product and programmes to the delivery channels, everything is being set up from scratch, so that's an exciting challenge."

geared towards what the clients want, rather than what the wealth manager wants to sell" explains Shah, who had a long stint at Citi Private Bank before joining the SBI. That's how we have differentiated ourselves."

The value proposition has also been bolstered simply due to the retreat or downsizing of many international banks in India, especially in terms of their private banking operations. "So people want to come to SBI," he adds.

GROWTH PATH

One of SBI's tasks in achieving its goals is to lure new-to-bank customers from private sector banks that are the country's largest wealth managers.

This starts with a recruitment drive, confirms Shah, explaining that growing the existing to bank and new-to-bank client base is correlated with the

The bank's motivation to succeed in its wealth management unit are strong, not least since this would go a long way in proving wrong those sceptics who doubt the efficacy of state-run institutions and corporations.

Among its challenges, SBI must address issues in its main commercial banking division. For example, the size of the institution has also resulted in it having the largest share of non-performing assets (NPA), or bad loans, among Indian banks. At INR1.12 trillion (USD17.3 billion), it represents 6.9% of gross NPA, according to a stock exchange filing.

The wealth management unit, in that sense, represents baby steps for the bank in the context of its overall business. But it is an important initiative.

"We are building the entire organisation," explains Shah, underlining the huge task at hand. "Right from creating the product and programmes to the delivery channels, everything is being set up from scratch, so that's an exciting challenge.''

More specifically in terms of the Shah's part of the offering, SBI has an investment research team and investment counsellors who are capital market specialists. Plus, there are data analysts who help in asset allocation, portfolio analytics and reviews.

The bank also employs independent agencies to help it evaluate products, he adds – based on which it selects best-of-breed products for clients. Every product is approved by a cross-functional investment committee of the bank.

Ultimately, the most important thing that Shah – and SBI in general – wants to do, is avoid destroying the 'trust' of the bank's customers.

"That should not, at any point of time, be broken. Our product selection, suitability assessment, method of delivery and commission policies are all geared towards making sure we maintain the client's 'trust'," he explains. ■

Leveraging off a go-global spirit

China's One Belt and One Road Initiative will restore the historic linkages that exist between Middle East and Asia. There will be opportunities for banks such as Dubai-based Emirates NBD to leverage on this momentous development in areas such as trade and project finance and wealth management, says Brian Shegar.

China's bold initiative in the form of the Silk Road Economic Belt and the 21st Century Maritime Silk Road will revitalise trade and investment links between Asia, Europe and Africa.

"We are satisfied with what we have achieved [in Singapore] and will continue to invest in the business."

Passing through over 60 countries and regions, which account for roughly 40% of the world's gross domestic product, it should provide new business opportunities for banks on the sidelines of the main show.

This won't happen overnight, but it will follow the expected increases in business and economic linkages from Middle East, Central Asia and China through the traditional Silk Road as well as the maritime belt involving the coastal states in Asia and around the Indian Ocean.

"The sequence of events would be increasing trade connectivity followed by direct investments and portfolio investments as greater understanding of the risks and opportunities progressively evolves," believes Brian Shegar, general manager and head of Asia Pacific at Dubai-based Emirates NBD.

BRIAN SHEGAR
Emirates NBD

This will create potential for Middle East banks who are spreading their wings in Asia by establishing branches and rep offices to participate in new business opportunities with the enhanced connectivity between Asia and Middle East, he says.

"We, along with other banks, won't benefit immediately, but when the linkages develop to a level of critical mass and operational feasibility, we will see realistic opportunities," adds Shegar.

SOLID FOOTING IN SINGAPORE

He is focused on continuing to keep the bank's Singapore-based Asian operations moving along on its own steam and establishing a niche role in the GCC with the remainder being rep offices," he explains.

Five years after Emirates NBD began its wealth offering in the Asian hub, its wealth management platform is one of the most established amongst the Middle Eastern banks.

The efforts of Emirates NBD over the last few years have also given it a good start, especially in conjunction with the investment required in people, systems, and other resources. Plus, he says the bank has a differentiated wealth man-

China's commitment

In line with its Belt and Road initiative, China has signed deals with 68 countries to jointly develop infrastructure along the new Silk Road trade routes.

At a forum in May in Beijing, PRC president Xi Jinping committed USD113 billion to help fund global infrastructure projects.

This was on top of the USD60 billion in Chinese investment pledged since the Belt and Road initiative began.

To date Chinese companies have established 56 economic and trade cooperation zones in more than 20 countries, contributing nearly USD1.1 billion in taxes and creating around 180,000 jobs.

"The sequence of events [of China's One Belt and One Road Initiative] would be increasing trade connectivity followed by direct investments and portfolio investments as greater understanding of the risks and opportunities progressively evolves."

Singapore corridor. This entails also leveraging the international aspect of the Emirates NBD wealth management business, to add to efforts in Saudi Arabia and London.

"Singapore is positioned as a premier wealth management centre with a triple-A reputation," says Shegar. "So we made a deliberate strategic decision to offer a strong offshore platform in Singapore for UAE and GCC clients."

Singapore has become a well-trodden route for Middle Eastern banks, with 11 financial institutions having established a presence in the city-state. "Five of these banks are branches, agement strategy in Asia vis-à-vis the other players in Singapore's private banking industry. In short, it aims to be a gateway for providing private banking services to Middle Eastern HNW individuals and families seeking to invest in Asia, and conversely for wealthy Asians seeking investment opportunities in the Middle East.

In terms of servicing the growing pool of money that gets invested offshore from the GCC, Emirates NBD relationship managers in Dubai also play an important role; they try to create opportunities for their clients offshore, whilst still keeping the assets within the bank. The Singapore branch also leverages on the institution's competence in Shariah-compliant wealth management. "We are satisfied with what we have achieved and will continue to invest in the business," says Shegar.

SWISS ALTERNATIVE

While GCC money invested offshore has traditionally gone to Switzerland, or London, particularly for real estate investments, Singapore has garnered more and more attention.

Shegar is confident that his Asia Pacific proposition can continue to grow along a sustainable trajectory and the One Belt and One Road initiative will only serve to boost the important role Singapore plays as a wealth management centre. ■

A different kind of family office in Asia

Alex Scott of Sandaire explains the approach and value proposition of his firm's offering as part of its growth plan for the regional market.

The further east Alex Scott goes from the UK, the more business opportunities he encounters.

Five years ago, the founder of Sandaire Investment Office, which manages his own funds and those of 40 other families globally, set up his office in Singapore. Today, as he travels to markets like India and Hong Kong, and witnesses first-hand the dramatic creation and concentration of wealth across the region, he is convinced of the opportunities to be had in the longer term.

Although family offices have existed in Hong Kong and Singapore for more than 100 years, the kind that he spearheads, catering to multi-families, are somewhat rare. There are only a handful of them in both Singapore and Hong Kong.

Sandaire stands out, though. "We manage our own funds as well as those of other families. So my family takes the service, pays the fees, as any other family there. That's an unusual degree of alignment compared with other financial services businesses," explains Scott.

Yet that's not the crucial differentiating factor to his mind. Catering to a small group of families, Sandaire offers a different model than what is provided by most wealth managers in the region.

The group's focus is on asset allocation, risk control and portfolio construction, but it does not buy or sell stocks.

"What we do is to find talent to operate on behalf of the families who are our clients. Most of the financial service providers started with a focus on buying and selling individual stocks and then moved up to asset allocation; we are going the other way around," he explains.

Sandaire calls itself more of an intermediary. It enables families to deploy their assets on a global basis through multiple managers, but it doesn't do the underlying management of the stocks.

ALEX SCOTT
Sandaire

Scott believes that outsourcing is the right way to approach the business when there is an explosion of talent globally instead of trying to do everything himself.

In addition to asset allocation, Sandaire to its clients serves as a platform to provide ideas and insights from other parts of the world and vice versa.

The firm's global reach makes it something of a specialist in what it does. "We flex the asset allocation depending on global macro-economic and geopolitical events, and find the right talent to work on behalf of families," says Scott.

A FAMILY OFFICE FOR EVERYONE

Sandaire is aiming its services at families who want to preserve their wealth and build an inheritance for the next generation, but do not have the critical mass to set up their own family office.

"We work with families individually. So, we like to think that we are their outsourced family investment office and the key service that we offer is to work with them to understand their objectives, and then to build around them a portfolio that is focused," explains Scott.

The look and feel of the place is oriented towards this ethos; clients are able to access any member of the senior management team, and its offerings are tailor-made.

"It's very personal and it's structured around the family, we are not fitting the family into a pre-existing matrix, we are saying, 'we are going to develop something precisely for you'," he adds.

In many ways, Sandaire is uniquely positioned to offer unbiased and independent advice to clients.

"We don't lend money, we don't act as a stockbroker and we don't act as a custodian. All we do is focus on asset allocation, portfolio management for a small number wealthy families. That's it. So, we are small business but we are specialists," says Scott.

"Every culture and every race have idiosyncrasies around the way that they think of the wealth they inherit, but at the core good stewardship is universal, and I think that's why we have an opportunity to expand our business here," says Scott.

"Most of the financial service providers started with a focus on buying and selling individual stocks and then moved up to asset allocation; we are going the other way around."

LOOKING BEYOND THE SHORT-TERM

The focus on the long-term is crucial. Sandaire's typical clients are those who have a 20 to 30-year investment horizon in mind.

"We are going to have a limited number of clients, they are going to be families, sometimes foundations, because these are similar to families that have long-term horizons and can invest flexibly. That's our key value proposition," explains Scott.

While opportunities abound in Asia, Sandaire is aiming at the second and third generation inheritors who do not wish to be as closely involved with the management of their wealth as their parents or grandparents.

Yet it also has its sights set on early-stage entrepreneurs, although typically the first-generation wealthy in Asia like to take a hands-on approach to management of wealth.

"We will adapt what we do for local requirements but at the core we all know that it's really hard for wealth to endure beyond three generations."

Scott believes the balance of opportunities is tilting towards the East.

In India, for example, where there are large family-owned businesses, he is looking to partner with businesses to manage funds generated from a liquidity event.

"There is an opportunity for us, but it will take time because this is a new option which we think has been constructed in a way that's really complementary to a family's needs," he says.

Going forward, Sandaire has only one goal: to grow its business sustainably in a way that every piece of that growth is to the advantage of its existing clients. "We believe that there is a niche in this market for a business like ours," explains Scott. ■

FTLife sets off on global insurance path

After a career in multi-national firms across Europe and Australia, Lennard Yong was tempted to join a Chinese financial services (JD Group) in Hong Kong to spearhead an insurance company that has a global ambition fuelled by roots in China.

The offer to be the regional chief executive officer of FTLife Insurance Company, an insurer owned by China's JD Group, was something that Lennard Yong says he couldn't turn down.

He could see that leading the life insurance arm of this diversified group, which has interests in banking, asset management and private equity, offered him the chance to apply the experience earned earlier in his career to build a global footprint.

JD Group took its first step on the path to becoming an international player by acquiring Belgian insurer Ageas' Hong Kong operations in 2016. "With the buyout, JD Group planted its first flag outside of China," says Yong, an ex-ING and MetLife executive.

OPPORTUNITIES GALORE

Although Hong Kong has become a battle-ground for insurers vying to access the growing appetite among mainland Chinese consumers for insurance products, the regulatory pressure in the market has intensified just as much, if not more.

Yet Yong sees this all as representing opportunity. The reason FTLife decided to launch in Hong Kong, he explains, is the international platform of the local market and the potential synergies with the mainland.

Yong believes this will prove to be a testing ground for the firm as it looks to forge a regional empire.

For example, being an open economy which attracts professionals from around the world, the firm can develop a variety of solutions to meet all sorts of pressing needs of customers, he explains.

"We can be at the cutting-edge of life insurance, using technology and good old-fashioned investment and risk management to come up with the best solutions," he adds. Further, as a former British colony, Yong says Hong Kong is blessed with the rule of law and regula-

LENNARD YONG
FTLife

tions mostly associated with the Western world. "We feel that, as we build out [in other parts of] the world, this is a good platform to leverage our international business."

Another reason for his optimism is the talent available in Hong Kong to propel the business forward, in comparison with other hubs.

Fundamentally, Yong also believes that his proposition for FTLife also needs to be rooted in a strong business in the home country.

"That is with mainland roots in China, we aim to leverage JD Group for its investment expertise, technology platform and broad customer base," he explains.

"MetLife had Metropolitan Life in the US, and Prudential had Pru UK. It allowed them to have a big balance sheet which in turn propelled their business across the world," he adds.

VYING FOR MARKET SHARE

FTLife is clearly not the only Chinese-backed insurer looking to Hong Kong as a gateway to a bigger international landscape.

As multinational firms in Hong Kong have started to scale back or divest, it is the Chinese firms which have begun to assert their interest and muscle in this space.

Increasingly, this trend is being fuelled by the growing appetite for international financial products among the Mainland Chinese looking to diversify their protection needs.

These consumers who once spent top-dollar on buying luxury goods or trips abroad, are now buying high-end financial products to assist with their retirement and medical planning needs.

But instead of looking further afield, they want to go to a financial services firm or adviser whose services and products are specifically geared for their tastes.

To ensure FTLife is as relevant as it can be to these consumers, therefore, Yong says he is busy building the former Ageas platform to take advantage of the mainland customers coming to Hong Kong.

For example, although retirement solutions are common across both mainland China and Hong Kong, others requirements are different.

China, for instance, is experiencing a baby boom, given its recent focus on boosting birth rates by abandoning its one-child policy.

In contrast, Hong Kong, continues to experience low birth rates.

"Hong Kong customers are looking more for pension and retirement savings plans, whereas the mainland Chinese are looking for legacy, estate planning and savings options for the next generation," explains Yong.

STRATEGIC BUILDING BLOCKS

Undoubtedly, JD Group's existing customers can benefit from the comprehensive wealth management and protection solutions FTLife offers.

In the longer run, as this same pool of individuals matures and climbs up the wealth ladder, Yong hopes that some of them will look to diversify their portfolio and want a mix of onshore and offshore investments, in turn creating demand for insurers like his. Beyond this type of organic growth, however, the firm is also willing to consider more acquisitions to quicken the pace of expansion.

"Our founding partners have got to where they are today in a space of about 10 years. What they want to see [from FTLife] is a formidable enterprise in their lifetime," says Yong.

The acquisition route will most likely be used to expand into North Asia, where Yong says cultural similarities with China will help make inroads a bit easier. ■

Digital savviness

To appeal to customers in different regions, FTLife is looking to master a host of offerings, such as digital tools, as a new way to engage clients and do more business.

"Our new customers from China live around their smartphones," says Yong. "They buy, choose where to eat and engage with their friends all on the smartphone, on the different platforms available to them. If I don't build that for my customers, then I'm going to struggle to engage with them."

Tied to this is the effort to make financial products simple and easy to understand.

"We have got some projects that we are planning in 2017 and we'll be building on those things toward the end of the year," he adds.

Navigating a new private banking reality in Singapore

A private gathering of business leaders from Asian private banking – co-hosted by Thomson Reuters and Hubbis – highlights the need for a practical approach to tackle the multi-pronged challenges of compliance, client trust and carving out a niche in order to find sustainable avenues for growth.

Two models are very clearly emerging in the tougher and more cut-throat private banking landscape.

The first is more along the lines of a universal approach, either by international or regional players, offering a one-stop-shop across a range of services. This also includes a highly-commoditised service offering for most clients up to the UHNW segment.

On the flipside, this creates a depersonalisation of relationships at some banks – in the aim to reduce costs and increase efficiency via greater commoditisation – according to some business leaders. The other model, at the other end of the spectrum, involves the more boutique players with niche offerings.

These firms have become more and more focused over the past few years as they realise it is not viable to be all-things-to-all-people.

Ultimately, to succeed, senior industry executives believe an institution must be clear on what it does well and where its key strengths are, and then only do this. These were some of the views at a thought-leadership discussion with private banking leaders in Singapore, co-hosted by Thomson Reuters and Hubbis.

Beyond certain hygiene products and services, there needs to be a reason for a client to look to that bank over another, they believe.

Relationship managers (RMs) can still be a key part of this point of differentiation, which some banks view as important and a sign that client relationships cannot be entirely institutionalise without potentially losing some of the value-add on offer today.

A commitment to the markets the firm is engaged in is also key as a success factor going forward.

This is measured in the sense of investment in the resources and infrastructure needed to develop the offering. This hasn't been the case in the past three to four years as many players have entered and exited markets relatively quickly.

DEALING WITH THE COMPLIANCE BURDEN

In the past 12 months, it hasn't been unusual for some institutions to see the number of compliance resources they needed in Hong Kong and Singapore double; certainly the cost has risen by such an amount.

In particular, the Hong Kong landscape a lot more challenging regulatory environment, especially when it comes to suitability.

And solutions to compliance challenges via pre-trade suitability and self-selection of products are easier said than done. Would a utility work? Is there any way to use KYC and other requirements to differentiate via the risk management and compliance function?

Getting compliance professionals to become more business-like is one way to try to reduce the account-opening process and new client boarding.

Getting issues on the table and discussing them in a more open way internally at the outset, to understand specific nuances of each case, can help to highlight problems or stumbling blocks. It can be an effective way to pinpoint accounts which will not be feasible to onboard at all, say some senior management. In turn, this then makes it quicker to advance and onboard those clients where there is more of a win-win.

This also highlights the importance of having more experienced individuals in the compliance role, and people with a diverse background, not just banking.

The biggest challenge, however, comes from trying to 'clean' out the legacy book of clients and the need to apply today's standards.Indeed, the tolerance to risk within an institution cannot be out of line with what the regulator prescribes or asks for, say business leaders.

This is particularly the case for foreign banks where headquarters might make certain demands which need to be factored into the local regulatory and compliance environment.

GETTING PAID IN THE RIGHT WAY

There also continues to be a questionmark over the extent to which private bankers are capable of rising to the challenge and delivering the type of advice or breadth of solutions required will be forced out of the industry. This is required to ensure organisations get themselves into a position to charge for certain aspects of the advice they give. This already happens with some of the better-quality bankers – but it is nowhere near widespread enough.

While there is no expectations that clients move in large swathes into discretionary, the proportions will move in the favour of managed solutions. This is inevitable give the performance and returns have been harder to come by over the past couple of years.

Those private banks which have already managed to amass a higher percentage of their book under discretionary advice have done so due to a genuine focus on longer term relationships.

Experience in working with the same clients over time is a key success factor. Yet the fact that the number of private bankers in markets like Singapore and Hong Kong is falling, raises questions about how to ensure there is a consistency around the approach taken to client relationships.

IN SEARCH OF TRUST

This is at odds with what many clients want from their private banker today. Industry leaders say clients want to trust someone – whether this is the institution or the individual RM.

They want to bank either with an institution with the right brand and approach, or simply with the individual they know and who understands them.

This all points towards the importance of advisers spending more time on, and paying more attention to, winning the trust of their clients. Being there for the long term, to service their clients, and not just for themselves, will make a difference going forward. ■

Developing a digital blend

According to a number of business leaders, the question about the role of technology as an enabler of investment and wealth management services is only effective if there is the added dimension of human intervention.

The industry is not yet ready for digital offerings to take away the personal relationships, say some senior executives.

For example, they see many grey areas where emotional aspects in relation to wealth planning, the family business and other personal matters require a tailored approach – or at least a conversation.

Further, when markets are down and people can feel the pinch in their portfolios, some practitioners say they want to get some advice and to bounce ideas around to generate a sense of comfort.

When it comes to fintechs, in particular, the fact many will likely fail is to do with the challenges of them being start-ups – not them being financial technology providers per se.

The biggest challenge fintechs have got, it seems, is that they lack clients, yet it is expensive to get clients. So they need the right business people to make them successful.

As a result, the B2B model has more potential, although there are a lot of ideas out in the market compared with what seems genuinely innovative, viable and, therefore, likely to succeed.

Value-add based on what a bank does best

Industry incumbents and newcomers alike in Asian wealth management must look beyond the desire to show-off their digital prowess and instead leverage their core capabilities to provide what clients want, according to business leaders in Hong Kong at a discussion co-hosted by Thomson Reuters and Hubbis.

Private banking in Asia, and the rest of the world, continues to adjust to changing needs – both internally and externally.

This is forcing traditional leaders to come to terms with a variety of newcomers, ranging from those which are leveraging parent companies with larger and broader financial services businesses, to other players which are premised on new technology, offering a low-frills yet low-fee business model.

The fundamental difference between the two extremes are obvious, but are the result of different approaches to the same challenges of more and more banking services being digitised, low interest rates and growth in passive instruments.

And there remains a genuine need on the part of all wealthy individuals for guidance on how to protect, grow and pass on their assets amid tough markets and complex new rules. Further, there is the rise of new non-traditional wealth managers to consider, with companies like Tencent and Alipay potentially adding wealth management services to their mix

The winning proposition, it seems, is not just based on return 'on' capital, but return 'of' capital.

A key part of this is providing access to asset classes that are not run-of-the-mill or available via digital platforms. They also require advice; investors can do the wrong thing very quickly. At the same time, whatever helps to increase transparency and drive more independence in private banking will see a surge in interest.

But this all depends on the institution's ability to genuinely understand – and then deliver on – the needs of a client, especially when it comes to accessing opportunities which are off the beaten track.

These were among the take-aways from a thought-leadership discussion with private banking leaders in Hong Kong, co-hosted by Thomson Reuters and Hubbis.

NEWCOMERS FROM CHINA

The rise of new players is also shaking up the landscape in the region.

Chinese banks, in particular, are causing quite a stir. They are coming into Hong Kong as well as Singapore to set up private banking businesses to service existing clients as they broaden their horizons and portfolios.

How the incumbent European and US wealth managers will be impacted by such disruption – and therefore respond with strategies to defend their turf and AUM – will be interesting to watch, said practitioners.

Actionable trading insight, content, digital channels to entice Millennials, or simply enhancing service levels and the overall client experience are all among the options.

Yet the cost of acquiring clients is still very high for the traditional players. For Chinese banks, by contrast, they benefit from the long list of existing customers who are looking to diversify and offshore their wealth.

This means more proactively embracing the speed and low cost of digital solutions, but blending this with the value-add of the traditional relationship manager (RM), who works with a specialised team of risk managers to conserve wealth, as well as an investment adviser to seek opportunities beyond the public domain, such as private equity.

"The winning proposition, it seems, is not just based on return 'on' capital, but return 'of' capital."

At the same time, Chinese banks need to be able to articulate a clear proposition if they want to attract clients based outside the mainland.

VALUE STILL TO BE FOUND

Amid the race to grow market share in Asian wealth management, the rate of adoption of new technology and digital tools has been a key focal point for many institutions.

As a result, trading fees have plummeted and the Millennial generation knows exactly how much it costs to transact. Commissions are also transparent and there seems little that the private banker can offer which a client is not already aware of.

Yet there is still much value for client to derive from working with an individual adviser who knows them and their goals.

To address this, the answer might be for more firms to find a balance in the digital and human interactions.

This can also help the client to access certain industry sectors or markets that also facilitate horizontal or vertical diversification.

Such a model creates a double whammy – a HNW or UHNW client can reduce their transaction costs while the institution can still charge meaningful fees to compensate for the difficult and time-consuming business of tracking local and global opportunities.

PLATFORM-BASED PROPOSITIONS

The technology for investments is already widespread.

However, the bigger private banks and wealth management institutions continue to invest in their own proprietary or complementary platforms to respond to what customers already do with their other relationships outside of banking.

Yet many of Asia's HNW population are multi-banked, so the key for the smaller players vying for market share is emphasising the value of the relationships they have, beyond transactions.

This is becoming more viable as clients realise the increasing value and need for succession and legacy planning solutions and structures, not just financial instruments.

Asia's wealthy also want suggestions and advice about education for their children and residency or citizenship guidance.

How, for example, should a client view the US in comparison with Australia or various parts of Europe, when it comes to weighing tax transparency versus lifestyle and other important considerations?

For the bigger banks, the unique selling point will inevitably remain their global reach.

The 'Think global, act local' slogan might be a thing of the past, whereas 'Glocal' might start to get a second wind.

These larger financial institutions, especially the consumer banks, will also continue to bang the technology drum, given the challenge in a single individual (RM) serving enough customers sufficiently.

While these organisations appreciate the value of personal relationships and engendering trust, many individuals increasingly prefer the online interaction, with the flexibility to do it at any time they choose.

For these players, platforms are crucial to handle the volume of recurring transactions yet keeping costs low given the preference of clients to pay as little as possible. ■

Age and skills gaps to take toll in Hong Kong

A gathering of private banking leaders – co-hosted by Thomson Reuters and Hubbis – highlighted the gap between young and old advisers as a major hurdle amid efforts in Hong Kong to drive a culture of training to raise industry standards.

There is concern among some of the leaders in Hong Kong's private banking industry that there is a shortfall in efforts to make training more relevant and practical to fill the skills and knowledge gap at the front-line.

This is coupled with what some senior executives refer to as an "ageing crisis" of a regulatory making.

These were some of the take-aways from a thought-leadership discussion co-hosted by Thomson Reuters and Hubbis.

This is increasingly pressing given the environment that relationship managers (RMs) and other advisers must operate in today.

From the regulatory pressures being exerted by the Common Reporting Standard (CRS), suitability and internal compliance, for example, a culture of training and controls is essential to ensure smooth operations. The problems start with even the most basic element of private banking – simply opening a new client account. This is no longer easy; the terms and conditions are now so complex that KYC has less to do with actual knowing the customer, and more knowing the customer's customer.

This all puts a considerable responsibility on the newer crop of private bankers coming through the ranks or entering the industry for the first time – as well as on the more experienced practitioners who must act as mentors.

A GROWING GAP

The responsibility for professional development in Hong Kong to tackle all this lies with the Private Wealth Management Association (PWMA).

It was founded in 2013 and has an ambition to foster the growth and development of the industry. Its members are authorised institutions and licensed corporations in Hong Kong with dedicated private wealth management businesses.

While the objectives of the PWMA are laudable (see box on next page), there are many private bankers locally who go back long before its establishment. Out of the 3,400 industry professionals, more than half of those are 'grandfathered'.

The pass rate for the 1,600 or so practitioners from the younger generation who have to pass the examinations, however, is only around 20%, say senior industry executives. Yet individuals can still work within the industry until they pass the tests.

This leads on to the ageism argument, since most of the 'grandfathers' are aged 55 and over.

This has created a gap of 15 years or more between younger and older generations; and few, if any, plans seem to be in place to narrow this timeframe in any meaningful way.

Such issues represent perhaps the biggest challenge which the industry must confront.

Although more robots will become more commonplace, humans are essential in various aspects of private banking.

DWINDLING RESOURCES

What makes the situation worse, say industry leaders, is in Hong Kong – as is the case in Singapore – the number of private bankers is falling.

Owners of training platforms, which cater to thousands of industry professionals, say they are now witnessing a growing number of people leaving various organisations, creating a complex problem of (under-qualified) supply that ultimately doesn't bode well for the sustainability of the industry.

To address this, experienced executives suggest that client-facing bankers need to be better matched in Hong Kong with clients who need the right type of guidance.

Industry players fear this will lead to a growing number of clients being underserved or, worse, improperly advised.

Regulatory requirements in Hong Kong also seem to force advisers to think too much about products, creating a burden on already-tight resources.

What is needed, instead, according to several banking leaders, is more focus on training RMs and other advisers to have genuine, needs-based conversations with clients about components of a holistic offering such as insurance, succession planning and other important matters.

TAKING THE LEAD

Addressing these challenges calls on consensus about how to affect even small change, and also on which stakeholder should take the lead.

In the meantime, senior executives will remain concerned that clients, who are the ones most in need of help, will continue to be flooded with information yet starved for knowledge.

Shifting the training framework in Hong Kong further away from the focus on investment products, suitability and risk management, and more towards the needs and goals of the end-client, is an urgent priority.

Some of the ways to potentially improve the training in Hong Kong, suggest some practitioners, is to exclude any parts of the content which are not relevant or practical to the role of an RM today, and make the rest more applicable.

Understanding the implications of what a banker is learning, and being able to apply it, are key.

Training which is engaging and insightful would also be more likely to inspire practitioners to act and behave in the right way, as well as reinforce and encourage others to adhere to such best practices internally.

In line with this, a few alternatives come to mind: Client Advisor Competency Standards (CACS) in Singapore; the Certificate in Investment Performance Measurement (CIPM) and Claritas from the CFA Institute; and the CISI Chartered Wealth Manager qualification in the UK.

These programmes are considered much more advanced in terms of content and delivery, and offer broader training.

Main objectives of the PWMA

- *To better position Hong Kong as the private wealth management hub in the region by promoting and encouraging the growth and development of the private wealth management (PWM) industry in Hong Kong and to help maintain Hong Kong's status and competitiveness as a major financial centre*
- *To promote proper conduct, integrity and high standards of professional competence on the part of PWM practitioners*
- *To provide a forum for members to discuss and exchange views on trends and challenges faced by the PWM industry and how to strategically position for these trends and challenges*
- *To provide industry representation and consultation in Hong Kong on PWM related matters*
- *To provide a channel for the private wealth management industry to maintain ongoing dialogue with government officials, regulators, trade bodies and non-governmental organisations*

Driving the AAM Advisory business forward

In a video interview, Matthew Dabbs of AAM Advisory explains how the IFA has performed since it was acquired by Old Mutual International in early 2016, and outlines some of his priorities for the next phase of growth.

Since selling its business to Old Mutual International in early 2016, AAM Advisory has seen strong activity and performance. This has been partly due to the strong support from its acquiror, for example in terms of the Compass Portfolios range, according to Matthew Dabbs, chief executive officer of the Singapore-based IFA.

"The Old Mutual capability on the wealth management side is phenomenal," he adds, explaining that it has given a new dimension to what AAM Advisory can now offer to clients.

2017 PRIORITIES

For the second half of 2017, Dabbs says he remains focused on assets under advice (AUA) – following the firm's strong first quarter, with new business ahead of target.

"It is also important for us that platforms we use on the regular savings space become available to Compass," he explains.

This will enable the firm's advisers to allocate the funds from clients into Compass, to enable the advisers to then focus on servicing and managing more clients. "We are also looking at new potential areas for distribution across the region," adds Dabbs.

In pursuit of further growth, he sees big opportunities in what he calls a big under-broked market in Singapore. "There are around 384,000 expats in Singapore who seem to be a good fit for AAM Advisory, yet there are only around 100 expat financial advisers," he explains.

He also sees the local market as offering real potential, especially if the firm uses its own academy, which it has run for the past couple of years. "We [have the potential] to acquire a lot of new clients, especially since the private banks keep on increasing their criteria for AUM," adds Dabbs. ■

MATTHEW DABBS
AAM Advisory

Creating capacity and capability in India's wealth sector

Despite the country's growing pool of wealth, financial education and literacy are still in their infancy. This leaves a big gap between people who need proper advice and individuals able to give it, says Sandip Ghose of the National Institute of Securities Markets (NISM).

There is little doubt about the extent of the opportunity to tap into the ever-expanding amount of wealth within India.

But this is only the tip of the iceberg, it seems.

If lofty goals can be achieved in relation to key industry objectives such as financial literacy, investor education to boost mutual fund penetration, and higher standards of competence of wealth managers and financial advisers, then hundreds of millions of potential buyers of insurance and investment products could emerge.

Filling the gap in this way is the vision – and mission – of Sandip Ghose and NISM, where he is director.

This "white space", as he calls it, exists across Indian financial services – the 300 million or so people who are either entering the market or are already working. "These are people who are qualified or who have earning capacity, but don't have capacity for managing their money," he explains.

He questions whether the wealth management industry will actually look at 50% of the population which is below the age of 25 and entering the market?

Or whether it will look at the 70% of the population which is below the age of 35 and are still not wealthy but who are building wealth?

Instead, he says, the focus is narrowly on the HNIs and UHNIs, who represent a fraction of the population of potential customers.

FAR-REACHING

Ghose estimates that NISM connects with around 700,000 people every year in terms of financial education – despite being a small institution with five people working on this area.

SANDIP GHOSE
National Institute of Securities Markets

This might involve, as an example of trying to fill the "white space" at a practical level, explaining to individuals why they should buy insurance. "People tend to buy insurance for all the wrong reasons," he says.

Rather than buy term insurance, for example, people flock to equity-linked savings policies.

Yet the first type of protection they should be buying, at the age of 25 when they enter the job market, is term cover, explains Ghose.

The issue, he says, is that no insurance agent wants to sell term insurance due to the lack of commission in comparison with the 35% or so on most other policies.

"My job is to help those 700,000 people understand these basics," he adds.

This highlights the broader mission of NISM, which has six schools of excellence doing work in different areas under the auspices of the Securities and Exchange Board of India (SEBI).

In short, the aim is capacity-building activities at various levels to enhance the quality standards of professionals and increase the participation in the securities markets.

This includes guiding individuals through the various life-stages, via understanding basic concepts such as the time value of money and compounding, for instance.

Another part of the mission involves training and certifying professionals for the financial markets, including running five major post-graduate programmes.

Ultimately, for anyone wanting to work within the Indian asset and wealth management sectors – across derivatives, research, investment advisory, mutual fund distribution, risk management, capital market operations or broking – entry is via the NISM-certification process.

GETTING THE RIGHT ADVICE

This gives Ghose a unique perspective on what it will take to move the wealth management industry to the next level.

SEBI is clearly trying to drive this too. And the latest version of its investment adviser regulations, it wants to address its prime concern: that if someone is a distributor earning trail commission from the producer of the product, then they should do that and be clear and transparent that these are the products available; or there is a separate adviser akin to a doctor who is paid to do a wealth 'check-up' and comes up with an independent action plan – a distributor then takes over to select suitable products and solutions.

Yet most individuals in India don't even get access to the right advice.

Instead of following a prudent and structured financial plan, therefore, they tend to know no better than to look for random investment opportunities to invest and try to generate double-digit returns.

"This is part of behavioural finance, but they need someone to explain to them that they might only get a return of 100 to 200 basis points above their fixed deposits in the bank," adds Ghose.

The upshot is that there is little, if any, understanding of risk appetite.

"I am most concerned that people in India do not understand that the generation which is entering the market is going to live until they are 90 years old, so how are they going to survive if they are not planning today?" he asks. "This is the message the industry has to sell them."

"We certify people, but they might not have the competency to go and practice the profession."

As a starting point, Ghose believes that mutual funds should be everybody's default investment in India.

The year-on-year return on mutual funds in the last five to seven years, for example, has been 200 to 300 basis points – without fail – above the equivalent fixed deposit rate.

For example, he says, those people who invested INR500 on a monthly basis in the early 1990s in SBI Mutual Fund, the country's first of its type, have all become millionaires.

"I am creating more of a space for mutual funds," he adds. NISM has to date certified 250,000 individuals to sell mutual funds.

Ghose is all for simple programmes that create a multiplier effect.

This comes via initiatives such as Financial Awareness Messages (FAME) or Financial Education Training Programmes (FETPs).

"We train 4,000 teachers in financial advice every year, on the basis that they will train others," he adds.

There is also a big focus and commitment to children's education. This includes three levels of national-level financial literacy test (NFLAT) conducted for children between the ages of 12 and 18 and covering 4,000 schools across India.

QUALIFIED OR COMPETENT?

One of the biggest challenges that has emerged – not just for NISM, but within the Indian market as a whole – is the fact that many people are getting qualifications just to get a job, rather than build a career in that area.

"We certify people, but they might not have the competency to go and practice the profession," he says.

He sees India losing people who want to practice what they are trained in. "People want these qualifications just to join the corporate world."

Although India has around 6,500 management schools and 11,700 engineering colleges, producing around 500,000 professionals every year, it is one of the few countries where after taking an engineering or management qualification, that person doesn't know what job to do.

PRIORITY OF PROFESSIONALISM

It is no surprise that Ghose's key objectives revolve around bridging the education and advice gaps in India.

Within this, he explains, is a desire to deliver more classroom-based training programmes which can produce practitioners who can start working in the marketplace based on having a practical understanding of the industry – not just a theoretical one.

In addition, in relation to NISM's broad certification powers on behalf of regulators such as SEBI, the pension authority and even the newly set-up bankruptcy board, Ghose wants to move beyond just offering entry-level certificates.

This would take the role of the NISM more towards aspirational certification.

"If a person wants to become a professional, they might want to take an advanced level certificate, beyond the benchmark qualification available," he adds.

Other priorities for Ghose include financial literacy and investor awareness across the country, corporate governance, and training the regulators themselves. NISM already acts as a kind of staff training college for the 700 officers of SEBI.

"Over and above this, we run the national strategy for financial education which was created by the FSDC (Financial Stability and Development Council)," adds Ghose.

Perhaps the grandest goal he has, however, is setting up a wealth management academy where he, alongside his team, can work with young people to help them become the right type of wealth manager who can connect with individuals in need of such guidance.

"There are very few wealth managers whom you can count on your hand who will be able to talk to you about all the basics," he says, "not just about products and returns."

"There are very few wealth managers whom you can count on your hand who will be able to talk to you about all the basics, not just about products and returns."

The other element of this is ensuring they are ethical, and operate with integrity.

"People need the mind-set that they will spend 15 to 20 years, and work their way up in this business," he explains. "Only then will they have credibility and be able to talk to people with authority." ■

A new chapter for wealth management in the Philippines

Our 3rd annual event for the local community discussed and debated how to build sufficient capacity and capability to service the evolving investment, family and protection needs of domestic affluent and HNW clients.

Several drivers of growth are leading to optimism for the outlook for the wealth and wholesale asset management industries in the Philippines.

A combination of liquidity, low rates, repatriation of funds from foreign investments, better economic fundamentals for the country and the relaxation of foreign exchange rules, all provide a solid foundation for growth.

At the same time, growing client maturity is evident, with individuals having easier and faster access to information about all aspects of finance and investing – at home and overseas.

To move faster, however, there are still gaps and areas in need of attention. These include more investor-friendly regulation, education of customers and advisers alike, and a greater take-up and acceptance of technology.

At the same time, industry players vying for their share of the growing wealth pie acknowledge they need to respond to the evolving needs of customers. These range from information and advice, to products that address their needs, to more depth in capital markets.

This needs to be done also in conjunction with further developing the advisory proposition. After all, the market is still largely driven by products, and few clients want to pay for advisory.

To develop the wealth management landscape more quickly, changes in the regulatory environment are front-of-mind for all practitioners. For example, for relatively simple investments such as equities, opening an account needs to be made easier and more hassle-free.

These were among some of the key-take-aways from the 3rd annual Hubbis event in Manila for the leading local practitioners across local and international institutions operating in wealth and asset management, as well as insurance. ■

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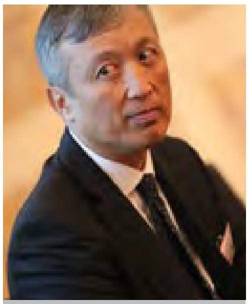

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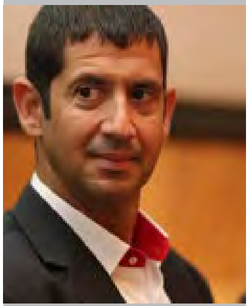

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Swiss Asia

Steven Seow
Mercer

Tuck Meng Yee
JRT Partners

Wen Yen Choo
Citi

Nomura's approach to wealth solutions in Asia

The contemporary wisdom of many private banks is to split trust services and wealth management. But Nomura believes it can grow in Asia by blending the two offerings – and without any conflicts of interests, explains Harry Ng.

Being able to provide wealth management and structuring services under the same umbrella still offers a lot of scope for success in a region such as Asia – where client preferences lend themselves to partnering with a trust company.

This is according to Harry Ng, head of Nomura's wealth planning strategy and solutions business in Asia ex-Japan.

He believes such an approach creates an advantage amid a growing need to address issues around inter-generational wealth transfer, tax compliance and protection.

In contrast to the views of an ever-larger number of his peers, Ng says bank-affiliated trust companies have an upper hand in markets that are still in an early stage of evolution.

"Clients within Asia are still more comfortable dealing with financial institutions despite concerns about conflict of interest," he explains. "Independent trust companies work better in a mature market. Maybe in 15 years, Asia will be ready for such a scenario."

STRATEGIC STEPS

Ng's focus is firmly set on clients within Asia ex-Japan, especially those individuals who may have some link with Nomura's counterparts in Japan.

He looks to deliver the range of trustee services as an integral part of the bank's strategy, without paying attention to the perception of these as just creating a cost centre.

Indeed, Nomura doesn't necessarily look at the trust business solely from a commercial perspective.

It views it through the lens of its overall wealth management pitch, which is designed to be holistic in nature. "There's always good reason to have a presence outside Japan in wealth planning and wealth solutions," explains Ng. "It plays an important role in terms of the overall strategy."

HARRY NG
Nomura

CRS WINDOW

This ties in with the need to deal with the impending Common Reporting Standard (CRS) and its wide-ranging implications on wealthy clients – trends that Ng believes have opened a big window of opportunity for Nomura.

In particular, CRS has created demand for new types of services in areas such as taxation and wealth planning, he explains. And the bank has been quick-footed in reorienting itself to address those needs.

"All of a sudden the tax regime is so different," he says. "CRS is a watershed moment for the wealth solutions business, forcing people to think about getting advice that they probably didn't think about in the past."

Nomura is relying on a two-pronged strategy to stay ahead in this game. The first, is working more closely with clients to better understand their needs.

The starting point in the effort to get to know clients more intimately, says Ng, is a conversation about their background, residency, jurisdictional guidelines and tax domicile.

Only once all the relevant information is in place can work on the trust structure begin, he adds.

Secondly, the bank is working with more third-party experts to guide bankers and clients on matters of regulation or complicated structures, for instance, which require specific expertise.

Lawyers, trust professionals and tax advisers are among those specialists who can help Nomura's bankers and other professionals to plug the gaps in knowledge and experience.

"These conversations have become more elaborate and more often than not, we will be proactively bringing in all the tax and legal advisers to look at a structure and put together something that the client is fully aware of, in light of the current environment that we all are operating under," adds Ng.

In fact, he relishes the prospect of working with other stakeholders.

"CRS creates lot more opportunities to work with fellow advisers, professionals, financial planners and even product specialists, to come together and devise something that's more in line with what is expected in the current environment," he says.

were valid before may not remain so [going forward]."

Since the reach of CRS is only likely to expand further, in line with the growing call for country-specific regulations in the spirit of what CRS demands.

China, for example, is trying to create its own version of CRS that will apply to offshore accounts of its citizens.

Similarly, the aim of Indonesia's tax amnesty programme was indirectly to bring offshore money back into the country. "Every country's rules are evolving in how to walk around the reality that CRS is; it is very relevant to all," adds Ng.

"CRS is a watershed moment for the wealth solutions business, forcing people to think about getting advice that they probably didn't think about in the past."

ALL-WEATHER STRUCTURES

There is also a lot of work to be done for clients in Asia in terms of fixing old structures that were set up prior to CRS becoming a reality – and therefore may not withstand the scrutiny of governments today. As Ng puts it, this is about "setting past wrongs right'.

"A number of structures were created in the past, in a different era with a very intensive focus on the commercial aspect of the business," he explains.

"With the current full tax transparency, some of these structures that

GROWTH IN SINGAPORE

Given these opportunities, the next year will therefore see Nomura add more resources to grow the trust team, along with growth of the overall wealth management business.

Ng also sees Singapore as presenting a lot of potential in the wealth solutions space, regardless of mounting regulatory pressures pulling funds back onshore. "We want to be in this market, not just to cater to CRS-related needs or to grow sales, but also because of the region's dynamism," he explains. ■

Assisting clients with investment migration planning needs

In a video interview, Dominic Volek of Henley & Partners explains how to assist clients with residency and citizenship.

Wealthy people like to have options in terms of their residency and citizenship, whether these relate to where they and their families live, or where they do business to benefit from global opportunities.

In searching for a better quality of life, Dominic Volek, managing partner and head of Henley & Partners in South-east Asia, says other countries often offer a better living environment in terms of climate, personal security, healthcare and transport systems, among other factors.

Many wealthy individuals are also increasingly attracted to the concept of relocating for the sake of their children, he adds, in terms of getting access to higher-quality education in places like the UK or US, for example.

Further, and a more and more popular driver for looking at other 'safer' countries, says Volek, is the search for personal security. This can also be in terms of more privacy.

Meanwhile, as the global tax environment gets more transparent and complex, Volek says relocating might be an effective way for someone to do more effective tax planning.

In addition to a new permanent residency, HNW and UHNW individuals are also looking for citizenship in some countries. Getting the passport of a particular country can be appealing to people from South-east Asia, explains Volek, since the passports of many countries in this region offer relatively limited visa-free access to other parts of the world.

To facilitate new passports, he says many countries have implemented policies that allow foreigners to gain citizenship via investments or significant capital contributions, and without the need to physically move there.

When choosing professional advisers on migration matters, wealth managers – and clients – should look for credible partners and service providers. Membership of the Investment Migration Council is a good way to confirm the reputation of a firm, adds Volek. ■

DOMINIC VOLEK
Henley & Partners

BVI drives connectivity to China's Belt and Road initiative

As Hong Kong and London lock horns over which city should be the Belt and Road's financial hub, Elise Donovan says that the British Virgin Islands (BVI) offers its business companies as cross-border conduits of choice.

On the first day of the two-day Belt and Road Forum for International Cooperation, concluded in Beijing on May 15, 2017, Hong Kong chief executive Leung Chun-ying insisted his city was "the preferred destination" for capital flows from the mainland.

However, Philip Hammond, British Chancellor of the Exchequer, swiftly challenged Leung's bid – citing the sheer scale of funding required for China's Belt and Road initiative.

It promises to be in the trillions of US dollars and would require mobilising the world's capital markets. Hammond said Leung's pitch was "elegantly made" but responded by saying: "London is not an alternative to Hong Kong."

Will it be Hong Kong or London as the Belt and Road's financial hub?

Either way, what remains undisputed is that for almost 30 years, BVI business companies have proven to be successful for Chinese investors and corporations doing cross-border trade.

"And," says Elise Donovan, director of BVI House Asia in Hong Kong, "they will continue to be the vehicles used in cross-border trade around the world, including Belt and Road projects."

DRIVING TRADE CONNECTIVITY

The Silk Road Economic Belt and the 21st Century Maritime Silk Road, proposed by PRC president Xi Jinping in 2013, aim to revitalise trade and investment links between Asia, Europe and Africa.

The network passes through more than 60 countries and regions with a total population of 3.5 billion.

The countries along those routes account for about 40% of the world's gross domestic product.

ELISE DONOVAN
BVI House Asia

At the Belt and Road Forum in Beijing, the influence and benefits of the initiative could be seen to be increasing, says Donovan, as China signed deals with

68 countries to jointly develop infrastructure along the new Silk Road trade routes.

At the forum, Xi committed USD113 billion to help fund global infrastructure projects, on top of the USD60 billion in Chinese investment pledged since the Belt and Road initiative began.

To date Chinese companies have established 56 economic and trade cooperation zones in more than 20 countries, contributing nearly USD1.1 billion in taxes and creating around 180,000 jobs.

At the forum, all of the participating countries agreed to promote trade and investment along the Belt and Road to buttress regional and global economic growth.

PROMOTING TRADE AND INVESTMENT

The employment rate and people's incomes in countries along the route are projected to further improve.

"The Belt and Road initiative provides enormous opportunities to participate for a wide range of businesses," says Donovan. "This ranges from small, medium-sized enterprises to multinational corporations."

Situated at the center of the Belt and Road initiative and uniquely equipped to help businesses and investors are BVI business companies – which, she explains, are ideal vehicles for cross-border trade.

"BVI business companies have been utilised in joint venture structures as part of mergers and acquisitions transactions, structures for project finance, and for the setting up of private equity funds," adds Donovan.

"The BVI demonstrates its flexibility and ability to cut through the complexity of different industries by arranging structures for projects and transactions in such areas as oil and natural gas, petrochemicals, metal industries, manufacturing and electronics."

CLEAR ATTRIBUTES

According to the 2017 edition of the Vistra 2020 report, launched in late April 2017, the BVI remains the top offshore jurisdiction worldwide.

"The BVI is 'an embedded brand' and still the go-to for most structuring conduits," stated the report.

The BVI's attributes – a legal system based on English common law, internationally-compliant regulations and tax neutrality – make it an especially attractive jurisdiction to channel outbound Chinese investment along the modern Silk Road Economic Belt and 21st Century Maritime Silk Road.

"The BVI is well-known for being trustworthy and robust, all of which plays a part in the globalised demand for the use of BVI structures," says Donovan.

"The BVI offers tax and jurisdictional neutrality, administrative convenience and country risk mitigation, among other benefits."

If there are disputes, the BVI business companies offer legal and commercial certainty and protection of investors and creditors via English common law.

In Asia and in China, particularly, there is a wide availability of seasoned and highly-skilled professionals who deal with both the legal and financial aspects of working with BVI structures.

"For close to 30 years, BVI business companies have been vehicles of choice for successful Chinese firms trading across the world. BVI business companies are among major businesses listed on the London, New York and Hong Kong stock exchanges," adds Donovan.

"Well-respected companies worldwide use BVI business companies to manage their cross-border activities."

"Well-respected companies worldwide use BVI business companies to manage their cross-border activities," she explains.

During that time, she says the BVI has served as a conduit for capital, connectivity and cooperation.

'As a result, the BVI stands ready to support companies that continue to reach out to Belt and Road markets," she adds. ■

Bringing a wealth structuring mind-set to the Philippines

A gathering of 15 business leaders from the country's wealth management sector – co-hosted by Peter Golovsky of Amicorp, Martin Wong of JLT and Hubbis – highlights why a sharper focus and more structured approach is essential, to drive needs-based conversations with clients in order to deliver much-needed succession, tax and insurance planning solutions.

The Philippines, similar to many countries across Asia, continues to experience rapid growth in the number of wealthy individuals and families.

What comes with this, however, are a wider and more complex set of needs in managing their business and personal assets – both for today and in the long-term. As a result, the scope for more comprehensive planning, support and education is clear.

Many clients are increasingly aware of the dynamics and challenges they face. Plus, the focus on transparency at local, regional and global levels in relation to tax and other affairs has left them with little doubt about the need to do something quickly in order to plan for the future.

For wealth managers and third-party professional services firms, too, there is a clear need to work with new and existing clients to help tackle the issues now confronting them.

And as more wealth either stays onshore in the Philippines or gradually finds its way back home, facilitating a smooth wealth transfer to the next generation is becoming more pressing.

This all assumes that there can be further clarity around the regulatory environment, including the agenda and timeframe for the Common Reporting Standard (CRS) in particular. And also that the individual bankers have access to – and embrace – the required training and education in the tools and understanding of the issues in play.

Without these two components, the ability for wealth managers to have the types of needs-based conversations required, to advise and guide clients in the right direction, remains limited.

These were among the key take-aways from a recent roundtable in Manila, co-hosted by Hubbis along with Peter Golovsky, managing director and global head of institutional sales at Amicorp Group, and Martin Wong, chief execu

PETER GOLOVSKY
Amicorp Group

tive officer, private client services at Jardine Lloyd Thompson PCS (JLT).

The discussion involved 15 business leaders from banks with platforms serving HNW clients and professional services firms in the Philippines.

IN NEED OF SOLUTIONS

The drivers for wealth planning in the country are changing. There is a shift in the understanding and acceptance among industry practitioners as well as end-clients from tax minimisation to tax planning.

The expected tax reforms on the agenda in the shape of CRS make this unavoidable. With or without a tax amnesty of the type which Indonesia implemented in 2016, for example, there is no escaping the need for proper planning, says Golovsky at Amicorp.

Clients need to understand, for example, that estate planning is way beyond a simple will or having a family holding company, he explains.

For the time being, the use of a trust, both locally and offshore, is very limited among Filipino clients. Most of them, say practitioners, don't really appreciate the use of a trust for the purposes of protection and inter-generational planning; their appreciation of this tool is more for investments, as an asset allocation vehicle.

The more forward-looking institutions in the Philippines realise these shortcomings, as they do the inevitability of change via initiatives like CRS.

They know this will start to apply sooner rather than later, so need to be able to start the process of getting prepared, according to Dicky Fong, head of institutional sales for Amicorp in North Asia.

There are already implications for Filipino families that might have US connections, given existing regulations like FATCA. "These clients need to be made aware of the options available, such as foreign grantor trusts, US domestic trusts, and others," explains Fong.

For banks and other service providers, therefore, key to them becoming a more relevant and embedded part of their client's lives is the way they can differentiate their offerings and, in turn, win new clients.

The types of solutions they can bring to market will be a key determinant of this. There is a need, for example, for proper planning around asset protection and succession issues.

At the same time, solutions for clients in the Philippines need to be developed that straddle both onshore and offshore, particularly given the likely changes in the regulatory and tax environments.

Further, solutions need to transparent, priced appropriately, and complemented by careful communication to clients about their purpose, relevance and value. This all relies on the right education, too, of bankers and clients alike.

In short, it comes down to early planning and the development of suitable solutions tailored to the needs of the local market, adds Golovsky.

GROWING ROLE FOR INSURANCE

The use of insurance combined with trusts is expected to be more important going forward in the Philippines.

This mirrors an important trend across Asia more broadly. The strong wealth creation around the region has led many wealth planning and insurance specialist to estimate that universal life (UL) policies – jumbo life insurance plans for HNW and UHNW clients – will continue to generate double-digit growth per annum in the coming years., says Wong at JLT.

This is alongside the potential for much greater take-up of other legacy and estate planning instruments to facilitate wealth transfer to the next generation.

Further, a survey by Transamerica Life (Bermuda) Ltd and Asian Private Banker in 2016 found that only 5% to 10% of private bank clients have purchased UL policies. Over the next 24 months, according to the findings, 56% of private bankers expect UL policies to show the fastest increase in popularity compared with other life insurance products.

Younger HNW clients, aged 31 to 50, were also found to be more inclined to

MARTIN WONG
Jardine Lloyd Thompson PCS

purchase UL than those who are older than 51 – as well as view these policies as a way to create wealth and also a financial planning tool.

CLIENT EDUCATION ESSENTIAL

Meanwhile, the current knowledge among clients about protecting themselves and transferring wealth is quite diverse, according to practitioners.

At the more sophisticated end of the spectrum are those (relatively few) individuals who believe they understand the issues and what's required, and can do it themselves without the help of professionals. Yet even they are now starting to realise this is unrealistic.

In line with this, the use of tools such as insurance to help them protect their wealth is becoming a bit more widespread in the Philippines. Although insurance has typically been a bit taboo, regarded as a morbid topic that gets sold based on fearmongering, there are ways that wealth managers are increasingly finding to introduce certain products and solutions – and which don't always involve the client having to die to benefit from it. Yet this approach, as with any conversation with clients about their wealth structuring needs, requires a more proactive banker.

Given that the typical Filipino family consolidates most of their wealth with the decision maker, and aims to resolve questions about distribution of this wealth if something happens to one of the members of the family, their adviser can play more of an active role. This means driving the discussion and introducing tools to prevent disputes after the death of the patriarch or matriarch.

Industry leaders believe there needs to be a lot more effort to introduce such subjects as part of high school education in the Philippines. Their rationale is that by planting the right seed and framing the mind-set at this stage of someone's life will make them better prepared for the eventualities down the line.

CAPACITY BUILDING

Until there is a more formal and consistent effort to educate individuals, however, the current backdrop has led to financial institutions putting the need to increase their capability and capacity around wealth planning and structuring solutions as a priority.

The common scenario in conversations today between bankers and wealthy individuals is a focus on certain products – often investment-oriented. On the other hand, there might be discussions between clients and insurance agents or bancassurance personnel – which are solely about insurance products. The challenge in both cases, is that the institution won't know the whole picture of the client's assets or portfolio. Yet the role of a relationship manager needs to change, urge industry leaders.

No longer can they be one-dimensional; instead, they need to understand the dynamics of the family and the various

Offshore no more an advantage

CRS, in conjunction with other regulatory changes on the disclosure of financial information – plus some more which might come in the future – has resulted in little difference between wealthy Filipinos holding assets onshore or offshore; either way, they will be subject to a declaration of funds.

Industry leaders see a lot of potential onshore, given the fact that the Philippines represents a highly-untapped market. Further, many practitioners believe that what is invested offshore is really just excess money, yet onshore is where the clients have their businesses and where they build their wealth.

As a result, there is an urgency around advisers working with professional services firms to find the right structures for clients in anticipation of the imminent declaration of assets. Practitioners say that some clients are already clamouring for a structure to go into.

Yet it is important to also consider that onshore and offshore asset structuring may have different tax implications for Filipinos with beneficiaries residing at home or overseas (such as in the US).

DICKY FONG
Amicorp Group

assets, to be able to hand-hold the client through the available products and how they can be applied for their specific situations. With this in place, they have a chance to provide the right solutions, whether product comes from their institution or is sourced elsewhere.

As a step in the right direction – albeit limited to date – the family office concept is also gradually being more widely talked about in the Philippines.

Starting with a discussion involving an adviser and family members, this can uncover the extent of their portfolios, including companies and real estate, for instance. Then the conversation can evolve to more holistic topic like their goals and issues, as a pre-cursor to identifying estate and succession planning needs.

To complement this type of approach, some institutions say they are increasing the availability of tools for their advisers or account officers, so that they can more effectively engage the client at the different phases of their lifecycle. For example, although this commonly begins with investments, after winning their trust, it can quickly develop and broaden into all sorts of needs-based products.

WORKING TOGETHER

What's missing in achieving all this is the training that many bankers in the Philippines need to develop the required skills and knowledge.

Some of this can be addressed, it seems, by partnering with providers to educate the wealth managers as well as clients, says Golovsky.

"Partnership interaction is a key focus for us and an important part of our overall value proposition," adds Wong. "Together with all market participants, we see many opportunities ahead in helping clients achieve their liquidity planning and wealth protection aspirations."

Indeed, collaboration is one avenue for some financial institutions in addressing the needs of the local market.

This also highlights the need for teamwork when it comes to finding successful estate planning solutions for clients,

The traditional problem in the Philippines, for instance, in getting clients to focus on their broader needs, has stemmed from the close relationship the adviser has had with the customer directly.

However, the evolution of the role into one which is more about support will lead to a better outcome overall for the client. ■

Reshaping the future of fiduciary services

With so much wealth creation in the region, including in the Philippines, there is growing interest in instruments to facilitate wealth transfer to the next generation. This is also a trend reflected in two recent pieces of thought-leadership: a 'Future of Trust' report, by Amicorp and Scorpio Partnership; and a White Paper, titled 'Shaping the Future of Fiduciary Services in Global Wealth Management', by Amicorp and Hubbis.

The research by Amicorp and Scorpio showed roughly 475,000 trust structures worldwide – but only 5% of the global HNW population have a fiduciary structure, suggesting significant upside, especially within Asia Pacific.

This was then further validated by 90 industry leaders across local and international wealth management institutions and advisory firms, at 9 roundtable discussions – hosted by Amicorp and Hubbis in Hong Kong, Singapore, Miami, New York, Mumbai, Zurich, London, Sao Paulo and Dubai in 2015 and early 2016. With mounting uncertainty over the strategic positioning of their fiduciary services businesses within their broader wealth management offering, it ultimately comes down to what's core versus what isn't.

"Many banks around the world are at tipping point in their decision-making around whether to remain in the business of wealth structuring," adds Golovsky.

Evolving investment solutions and portfolio advice in Asia

Providing advice in a more structured and consistent way is essential in preparing investors' portfolios – especially in an environment where the potential for correction, plus disruption from the march towards digital, looms large.

A key goal for wealth managers in Asia should include delivering sustainable performance but in a way that helps position and protect investors' portfolios against the chance of any correction or digital disruption.

This is especially important against a backdrop of a successful run in the markets since mid to late-2016, continuing into the first quarter of 2017.

So with most wealth management firms and their clients doing well during this period, where do they go from here?

This is an ever-more pointed question given efforts by robo-advisers and emerging platforms to challenge the traditional investment channels.

It relies, however, on several key areas in which the market needs to evolve.

For example, most clients still believe in market timing, agreed speakers, with an estimate that probably only about 20% properly understand asset allocation.

Yet at the same time, there are various tactical plays for advisers to discuss with their clients in the coming months, based on market outlook and investment sentiment.

More broadly in providing – and justifying – value to clients, there has to be more of a concerted effort by institutions to help clients tally all the charges they incur to ensure there is no lingering distrust.

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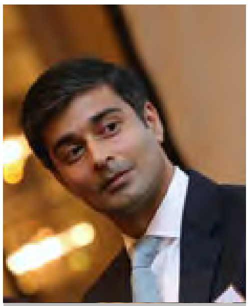
The flurry of activity around digital platforms makes this pressing.

The inevitability of greater price competition from new entrants will lead to the increasing use of algorithms along with more structured data.

According to 70% of poll respondents, the fees that private banks charge HNW clients in Asia are not transparent.

These were among some of the most important conclusions of speakers at the annual flagship Hubbis Investment Solutions Forum in Singapore in early June. ■


Arnaud Tellier
BNP Paribas Wealth Management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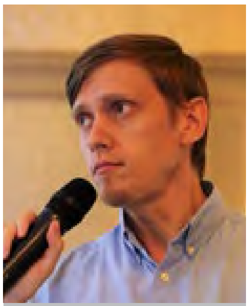
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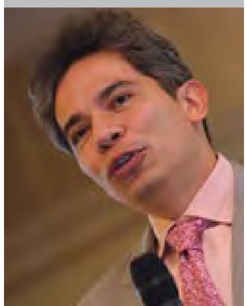
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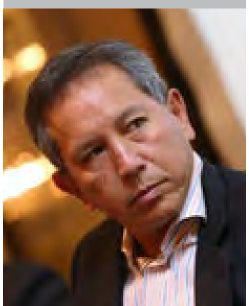
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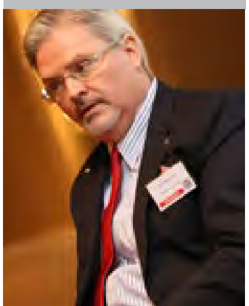
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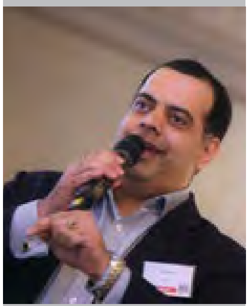
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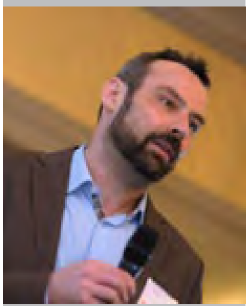
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A focused way of servicing Asia's wealthy

ZEDRA is taking a personalised approach to servicing clients in Asia, as it hones its strategy on the growing opportunities to provide structuring solutions to the region's wealthiest.

Asian business families and HNW individuals are generally going through a 'change of guard' for the first time in terms of inter-generational wealth transfer. Plus, the assets of Asian clients are often diverse, and not just financial in nature, given the preference for real estate and the fact that so much is tied up in the business.

These and other differences in the approach of Asian HNW clients compared with their European counterparts (when it comes to creating, managing and planning their wealth), inevitably requires a different type of service.

As a result, says Wendy Sim, managing director for ZEDRA in Singapore, there is no place for cookie-cutter solutions. "Our approach is client focused and structured," she explains. "We believe in personalised service."

Being family owned, as ZEDRA is, everything is personal. "Therefore, for me, moving to ZEDRA was empowering and invigorating," she adds.

"We are in a perfect position to help Asian clients because we have the institutional platform that is independent."

A DIFFERENT MIND-SET

Having previously worked for a bank-owned trust company, Sim has found that the value proposition of an independent trustee ensures there are no concerns about any potential conflicts of interest; ZEDRA is able to work ob-

WENDY SIM
ZEDRA

jectively with the right asset managers and banks which best suit a particular client or family profile.

She is also not subject to any short-term targets that might exist within large financial institutions – and hence is able to take the time to have the right conversations with clients and the relevant parties to put together a truly bespoke solution.

In terms of the trust arm of a bank, most of them tend only to look after financial assets and they have a certain number of types of trust structure available for a client to 'fit' into. "At ZEDRA, we are in a perfect position to help Asian clients because we have the institutional platform that is independent," elaborates Sim.

More specifically, the firm has the flexibility to look at all types of client assets and different types of client profiles.

It can also fall back on its institutional platform and infrastructure to put structures in place and manage the trusts and ensure proper risk management procedures are adhered to.

As a result, the business is more suited to the types of assets and requirements of Asian clients, rather than any mass-market or volume-led offering.

It is also sensitive to the demand in the region for low fees as well as the competitive nature of the market. "We don't aspire to be the lowest-cost service model," says Sim. "But we want to charge reasonable fees based on structure, risk and complexity."

STARTING SIMPLE

The fact that the issues and considerations surrounding succession planning for business families and structuring are relatively new in the Asian context, means that Sim's philosophy of "starting simple" resonates with clients in this region.

"The new laws on reporting have not distracted our clients from succession planning or other larger goals."

"I want the client to understand what they are getting into, what it is for and how it can help them achieve what they want to achieve," she explains.

As time develops, and as the clients get more familiar and comfortable with the structures, Sim then believes it is more appropriate to build in more complexity to achieve the end goal.

For example, not every client needs a private trust company (PTC).

As an adviser, therefore, Sim seeks to understand relevant factors such as the client's perspective, who is available to be on the board of the PTC and who can run the board. Such a structure is a good option, for instance, when clients can form a proper decision-making Board to manage the assets themselves, but still require advice regarding fiduciary duties.

"Our role in such instances may be to act as consultants to the PTC board, to hand-hold the client," explains Sim. "Hence, working on a needs and capabilities basis is recommended, and thus starting simple is an easier approach."

PUTTING CLIENTS FIRST

Sim is also quick to advise her clients against creating any structures that they do not understand.

Given her legal training, her starting point is to think of worst-case scenarios and rationalise whether the structure would stand the test should it need to undergo court proceedings and be open to every challenge possible whilst factoring in transparency, compliance and client needs.

This is well-suited to most Asian clients, who have big families often with business reputations to uphold but also a need for privacy as to succession planning and business strategy.

And by taking honest and straightforward approach, Sim has found that it engenders more trust.

"Some of our bigger clients come to us and proactively ask what they should be doing given the changing regulations around transparency," she explains.

"They are willing to pay whatever is needed in order to put proper structures in place and to report optimally. The new laws on reporting have not distracted our clients from succession planning or other larger goals." ■

Leveraging a digital dimension to portfolio advice

Despite its scale, BlackRock is increasingly agile in how it is adapting its platform to deliver digital capabilities that can help wealth managers in Asia shift from product selling to portfolio advisory, explains Damien Mooney.

A confluence of factors is encouraging BlackRock to develop new tools and adapt existing platforms to become more nimble and relevant in the way it adds value to private banks and other wealth managers in Asia.

The catalyst for the world's largest asset manage to add such new services to its existing product offering is regulatory-led change across the industry. This is shining a spotlight on the need for transparency in relation to the manufacturing and distribution of funds, putting pressure on fees and, in turn, encouraging a move from commissions to fee-based advice.

At the same time, investment and wealth managers alike face the continual challenge of low rates and generating income-oriented outcomes. Further, there is the ongoing disruption via technology and innovation, as well as the changing investment needs of a younger generation of clients.

Against this backdrop, the private banking and wealth management industry continues to grapple with how to deliver portfolio advice to address the many challenges the current environment presents.

And playing its role in responding to these trends, BlackRock is extending its capabilities in the digital space to this community.

The aim, says Damien Mooney, head of the firm's retail and wealth advisory business in Asia Pacific, is to work more closely with various banks and advisers to help them build the right types of portfolios to match the needs and risk profile of their clients.

It is doing this via an array of relevant and flexible tools and platform-based services that were previously only available in the institutional space. "We have a number of proprietary technology platforms that we are making available for firms in the wealth space also," he says. "These firms now have a need that wasn't there four or five years ago.... So

DAMIEN MOONEY
BlackRock

we want to help these clients be positioned for a world where advice is delivered both face-to-face and digitally."

PARTNERSHIP APPROACH

In short, BlackRock is looking to help wealth management firms of all types to transition to a new way of creating and managing client portfolios.

In line with this, it is working with many clients to provide them with the capability to wrap or build investment products which are more transparent, flexible and cost-effective.

"This helps wealth managers derive meaningful growth by delivering scalable portfolio solutions," adds Mooney.

The end goal for both sides is increasing the proportion of business in managed investment solutions. Whether this is through BlackRock selling or renting its own technology, the focus on helping clients in the wealth space has multiple dimensions.

This includes elements such as digitising the sales processes; looking to ways to digitise distribution; and being able to deliver advice in a digital format.

This is in sync with what every large wealth manager has been looking to do for themselves – namely, evolving their business model to make greater use of technology to help design, manage and distribute investments, whether they build this in-house, outsource it, or collaborate with partners.

"We are aiming to ensure that our wealth clients see us as a firm that is not only focused on money management," says Mooney, "but also able to digitise their portfolio construction and advisory capabilities, and deliver advice."

STRATEGIC SHIFT

The emphasis on digital tools and platforms for a firm that manages roughly USD5.47 trillion across a range of actively managed funds, ETFs and index-tracking funds, is testament to the growing influence of technology and automation on the investment and advisory landscape.

BlackRock's push into Asia is just acknowledgement of this reality, along with the fact that technology is an essential tool for rational and consistent investment selection. And it is simply the next step in the evolution of the firm' approach over the past couple of years.

In June 2017, for example, it made its first foray into Europe's robo-advisory market by taking a stake in Scalable Capital, a digital investment manager that uses low-cost exchange-based funds and online distribution. That deal followed the purchase in mid-2015 of US-based robo-adviser FutureAdvisor, to operate as a business within BlackRock's investment and risk management arm.

Since then, the asset manager has put more emphasis on licensing its proprietary technology platforms to big wealth managers to offer through their own advisers, typically to lower-tier clients who they might otherwise not retain.

PROVIDING PRACTICAL TOOLS

As well as FutureAdvisor, BlackRock's digital wealth management business includes Aladdin Risk for Wealth and iRetire, both of which have until recently been available solely for US-based clients, but are now being introduced to clients in Asia Pacific. Aladdin is an operating system for investment managers that seeks to connect the information, people and technology needed to manage money in real time. This combines risk analytics with portfolio management, trading and operations tools on a single platform to make decision-making more informed, effective and efficient – and on a greater scale.

It is delivered as a hosted service, backed by BlackRock's data and analytics 'factory' of 600+ professionals.

The real attraction to a wealth manager, explains Mooney, is having a complete view of their entire book of business from a risk standpoint.

At the same time, they can also slice-and-dice the analytics, to review individual client portfolios if they prefer, or segment by country, branch, client type, individual RM books – or any other criteria.

"This is also important to ensure firms are meeting their fiduciary obligations and performing adequate scenario testing, in a scalable way," says Mooney.

iRetire, meanwhile, provides investment solutions across a range of diversified, risk-weighted asset allocations, from conservative to aggressive.

"It gives clients the processes and technology to drive portfolio-based conversations with investors, in a white-labeled format," adds Mooney.

In terms of BlackRock's role in digital sales enablement and communications, involves providing wealth managers either with bespoke content solutions or working with in-house teams to deliver a mix of audio, video and text-based information in a form that clients can use and syndicate or through social media and other channels. ■

Why portfolios are paramount for good advice

The big struggle in Asia, even for the most established private banks, is how to give portfolio-led advice rather than just execute single trades. But it is critical to find a way to deliver this consistently, says Marc Van de Walle of Bank of Singapore.

MARC VAN DE WALLE
Bank of Singapore

There is no harm in Asian clients participating in short-term rallies and acting on stock tips; this is an inevitable part of their wealth management strategy given certain behavioural traits.

But wealth managers and investment advisers must not lose sight of investment returns on the portfolio overall.

This is according to Marc Van de Walle, managing director and global head of products of the Bank of Singapore.

He believes that being able to stay focused on client portfolios in this way relies on a combination of two approaches: first, the patience to have multiple conversations with clients; and secondly, an operational capability which is seamless and happens in real-time.

"Clients themselves go back to the product-by-product kind of discussion," says Van de Walle. "To bring them back to a portfolio discussion requires skilled advisers and technology."

This, he explains, is in the form of the ability to measure the risk that is in a portfolio and then to angle the discussion from a risk perspective rather than from an expected return viewpoint.

Plus, he adds, it is about having access to the tools to be able to back-up statements like: "Well, if you put this in your portfolio this is how it is going to alter your risk-return trade-off".

Education like this is a key piece, adds Van de Walle. "Although banks in general have done a lot [in these areas], we as an industry can do probably do a little bit more."

BACK TO BASICS

Van de Walle, who has nearly 20 years' experience under his belt in retail and private banking distribution, asset management and financial markets, views the concept of 'advice' the old-fashioned way – understanding clients' needs, through multiple conversations, and cautioning clients against rash investments. "Listening to the needs of the client is the first thing you have to do, to understand what the client wants," he adds.

The second aspect to advice which he is also very aware of is the need to be able to tell clients something they might not want to hear, but to do it in a way that is sensitive and non-confrontational.

"That is real advice," says Van de Walle.

At the same time, it is unrealistic not to expect Asian HNW investors to look to capture opportunities they perceive from market momentum such as the rally in late 2016 immediately after Donald Trump was elected US president.

Indeed, wealth managers need agility to enable their clients to move with the market while still keeping a long-term view of portfolio returns, explains Van de Walle.

SEAMLESS

To give it the capability to deliver the type of portfolio-first advice that it strives for, Bank of Singapore has invested heavily in ensuring its operations are automated and efficient, driven by the desire to keep costs down.

That has also come in addition to the bank making strategic hires to boost its product management team.

This is all easier said than done. "Execution can seem a simple thing to do but when you really want to go 'straight-through', it takes a lot of process design first," explains Van de Walle, "because such manual processes are not designed for automation."

Yet this also has to be managed against a backdrop of an open architecture platform at the bank, in order to allow clients to invest in a range of products and strategies.

"We were the pioneer in Asia in the FX space to have a system open to five counterparties, now we have more than this," adds Van de Walle.

"So the RM can give a quote to a client in real time, and get an executable price, press the button and go straight through," he says.

Funds are another product where it is generally difficult to be able to automate the execution.

"A lot of them are bespoke because there are different share classes, or funds that are acceptable in some jurisdictions and not others," he adds.

Instead, at Bank of Singapore, more time and effort is invested in educating the front line.

"We train them about the product features and also how the product fits in the portfolio of a client," explains Van de Walle.

PLATFORM PRIORITIES

Over the past few years, Bank of Singapore has focused on expanding its product offering to the point where it is confident of competing with any other private bank in this area. "I don't think there is a product that we cannot do," says Van de Walle.

Investment has also gone into what he calls the "thought leadership of our research". This is to make sure that the bank is capable of analysing markets in the right way – and in an independent way, given the absence of an investment banking arm and market activities.

After hours with Marc Van de Walle

- *A proud Belgian citizen, married with one, 19-year old daughter, who is studying at university in London*
- *In addition to running and playing golf, he is passionate about heli-skiing*
- *His favourite place to go up in a helicopter to get off-the-beaten track is the Rocky Mountains in Canada – offering, in his view, the best combination of good snow, elevation and safety*
- *Despite recent knee surgery, he says he is eager to get back into the wilderness*

Going forward, one key strategic goal is to further streamline and automate everything which is operational.

Redesigning and augmenting the bank's advisory process is also high on Van de Walle's to-do list.

This, he explains, involves the discovery of the client proposal, the analysis of a client's portfolio from a risk-return perspective by looking at scenarios, and the design and implementation of digital tools to support this with a more coherent experience.

"The human interface will not disappear but at least we can increase the consistency and quality of advice," he explains.

"It is about how we bundle all these solutions into portfolio advice." ■

A new twist on discretionary portfolios

In striving to create a 'stickier' engagement with clients, the wealth management industry in Asian still needs to find better ways to increase take-up of discretionary portfolio management.

Panel speakers

- ***Jean-Louis Nakamura,** Chief Investment Officer - Asia, Lombard Odier*
- ***Tuan Huynh,** Chief Investment Officer and Head of DPM, Asia Pacific, Deutsche Bank*
- ***Aman Dhingra,** Head of Advisory, Singapore, UBP*
- ***Simon Ip,** Head of Singapore, Markets and Investment Solutions, Indosuez Wealth Management*
- ***Hrishikesh Unni,** Executive Director, Taurus Family Office*

Relatively limited real progress seems to have been made in Asia in increasing the amount of client assets in DPM.

While some of the more experienced bankers have a 'sticky' engagement with clients, most continue to focus on selling the next product, so don't gain much traction.

Banker turnover is also a hindrance. Further, it has increasingly become the case that the 'replacement' banker may not be as senior as the previous one; many clients can feel negatively affected by this.

But growing share of DPM is still very much a focus for the majority of players. And some private banks have done better than others and are known for their focus on DPM. The key is to persevere but by adapting the offering and educating bankers and clients accordingly.

These were among some of the most important conclusions of speakers at the annual flagship Hubbis Investment Solutions Forum in Singapore in June.

OVERCOMING BIASES

A big part of the reason that DPM continues to be much less practised in Asia than in Europe can be attributed to cultural biases.

However, the bulk of this gap is mainly the result of a market which is less mature, but will catch-up quickly in the coming years. This is due to the fact, say many practitior rationale, both on the demand and the supply sides.

In terms of demand, Asian investors progressively acknowledge the fact that succeeding in an operational

Jean-Louis Nakamura
Lombard Odier

business does not guarantee any success in financial investments. They also increasingly realise the value in 'letting go'.

At the same time, to be convincing, a DPM offering should not be limited to good past performances. It has to lie in a concept fully consistent with the discipline and the emotion-free process on which DPM is supposed to differentiate away from advisory or trading activity.

Tuan Huynh
Deutsche Bank

CAPTURING THE POTENTIAL

In general, practitioners remain optimistic about the potential for DPM – with expectations overall that growth will continue but will be slow.

Ultimately, it works if banks and their advisers take a whole portfolio approach, rather than a product-sales one.

To date, many clients observe that a lot of banks tend to push their own products, even if there is a good argument to be made for creating a 'core' portfolio for the long term. Often times, clients have also observed that the product comes first, then it is retrofitted into a strategy.

59%
Poll respondents who said the level of engagement by their clients in DPM is between 0% to 10% – with only 28% opting for 10% to 20%, and a small number saying it is over 20%

When bankers take a whole portfolio approach to investments, however, they are successful with clients. The client has to be educated on the core/satellite approach, or at least have a portion of the portfolio in something that will perform steadily and is held for the long term.

At the same time, returns on DPM portfolios have to be relatively decent – and consistent – plus it should protect capital on downturns.

Making fees more competitive will also help position offerings for the more price-sensitive clients.

By doing this, banks must be able to make clear to clients the differentiating factors or competitive edge of their discretionary offerings. They need to help clients understand what makes a certain bank's discretionary offering better than another banks offering.

Aman Dhingra
UBP

Another way to accelerate DPM growth, believe practitioners, is to adapt, where possible, the content of mandates and portfolios.

For example, the traditional way to invest via MSCI World market cap-weighted balanced / growth / dynamic portfolios is probably out.

Instead, the industry needs more products that can complement the client's total wealth, such as to achieve non-correlation or income generation.

Simon Ip
Indosuez Wealth Management

Also important in the education process is helping clients to understand why DPM is good and relevant for them, instead of focusing on what it is and how it works.

75%
Poll respondents who said DPM should be done in-house, not outsourced – yet they also believe that bankers, not clients, need the most education to boost DPM in Asia

Making more use of digital tools is another way to help move the needle in favour of DPM, say practitioners.

More specifically, digital can be used to design, build, monitor and track, and rebalance portfolios. For example, it will be useful for clients to see their portfolios on their mobile phone. Or, more generally, institutions can get more information to design a customised portfolio to clients' needs, and to have more meaningful conversations.

IN-HOUSE OR OUTSOURCED?

While some banks might work with third-party partners to deliver some or all of their DPM capabilities, other institutions do it on their own.

Indeed, three-quarters of respondents to a poll at the event said DPM should be done in-house, not outsourced.

Yet a big challenge to this is the fact that consensus among delegates and speakers was that bankers, not clients, need the most education to boost DPM in Asia. ■

Hrishikesh Unni
Taurus Family Office

Making the most of the China opportunity

In a video interview, Eleanor Wan of BEA Union Investment discusses how regulatory changes and industry developments are increasing opportunities for asset managers to invest in China.

The first few months of 2017 have been good for most asset managers in Asia. "With the low interest rate environment, clients are hunting for yield. They are seeking our expertise within the Asian equities and Asian fixed income markets, which is encouraging," says Eleanor Wan, chief executive officer of BEA Union Investment.

At the same time, the firm is prioritising setting up its business in China via its wholly foreign-owned enterprise (WFOE) project. "We hope to start the project this year, pending approval," she adds.

CHANGES SUPPORTING GROWTH

Wan believes the ongoing regulatory changes in China are leading to the development of the industry, in turn posing a big opportunity for asset managers.

In the past, firms have had to partner with a local player via a joint venture. But with the establishment of a WFOE, Wan is excited that BEA Union Investment can have its own company in China, focusing initially on private funds.

Further, amid a swathe of regulatory changes in the mainland, asset managers like Wan are awaiting further details on Bond Connect – a new initiative for mutual access between the Hong Kong and mainland bond markets through a cross-border platform. "If Bond Connect starts, it will mean that fund managers or financial institutions can invest more quickly and efficiently into China's bond markets," adds Wan.

What this means for firms like BEA Union Investment with local expertise, she explains, is that it can potentially serve as a bridge for, or work with, asset owners outside Asia who might want to access China.

At the same time, a long-term view is essential. "Investors should be aware that while there might be some volatilities within this emerging market, they should take a longer-term view and invest through experienced professionals with local expertise to help them with the opportunity," says Wan. ■

ELEANOR WAN
BEA Union Investment

A differentiated approach to GEM

The long-term structural story for global emerging markets (GEM) remains very compelling, in particular, its growth and consumption potential, says Andrew Cormie, Team Lead and Portfolio Manager of GEM equities at Eastspring Investments.

Emerging markets have been out of favour for many years, driving valuations down to attractive levels as growth and profit fears prevailed. Today, not only are the valuation signals abundant, we also see much evidence that points to an improving environment for emerging markets' companies with strong balance sheets, cash generative business models and disciplined capital allocation philosophies.

Nevertheless, we recognise that volatility goes hand-in-hand with investing in this asset class. Our unique investment approach, which is firmly focused on bottom-up stock picking, is designed to take advantage of short-term share price movements and identify names that have been mispriced by the market.

FORGET THE STORY – LOOK AT THE VALUE

Investors love stocks with a growth story or a quality story. The problem with 'story stocks' is that they trade markedly higher on optimistic expectations about the profits or growth that may eventually come – down the road. Often, the story is propped up by high-profile media coverage.

Investors buy these stocks with a view to participating in their future prospects. Each time another investor snaps up a story stock, its price goes up, further supporting the story.

The problem is, the value of these stocks is often out of line with their fundamentals. While a few do go on to live up to their potential, most fail to do so. And stories don't just relate to individual stocks. Whole sectors and markets have their own stories – beliefs that are repeated so many times that investors come to think they are true.

The problem is, the second you are captivated by a story, you stop looking at underlying value. At Eastspring Investments, we've created an investment process for investing into GEM that makes sure we don't fall into that trap. We avoid stocks that are popular and

ANDREW CORMIE
Eastspring Investments

therefore overpriced. We pay attention to unpopular stocks that may be unloved but look attractively valued.

Also, rather than competing with the market to guess near-term earnings results, we step back and think about sustainable or normalised earnings. We spend a lot of time trying to understand what the normalised earnings power of the company is, relate that back to price and where we can get conviction in that, it allows us to be patient waiting for that to materialise as we live through the near-term noise and volatility in the markets.

We end up with good companies at cheap prices with considerable upside potential. This is why we are positioned to outperform in the long run.

HOW TO MAKE MONEY OUT OF OTHER PEOPLE'S BIASES

At the same time, we believe that all investors bring behavioural biases to the table when they're making investment decisions.

When it comes to GEM, our experience is that people tend to overestimate growth and having overestimated it, then continue to overpay for it. Investors also tend to pay over the odds for the comfort of certainty or less volatile stocks. This is why, in recent times, the rally in GEM markets has driven higher quality stocks to extremely high valuations.

At the same time, emerging markets are full of value names that have been avoided by many investors. At Eastspring Investments, we believe this huge disparity between value and quality offers GEM investors an extraordinary opportunity – and we are positioned to take advantage of it. We are mindful that we are as equally exposed to behavioural biases as everybody else. So we put defences into our investment process to make sure we don't fall into the same traps.

By focusing on the criteria and investment process highlighted above, the result is that other people's biases create opportunities for us to make money for our clients.

DO YOU NEED A TEAM OF STARS, OR A STAR TEAM?

As value-driven stock pickers for GEM equities, we are a small, highly experienced team of peers, all with significant buy-in to the investment process. We collectively debate every investment candidate. Our culture is one of challenge and debate, which fosters a creative team dynamic that enables high-conviction investment decisions.

All investment outcomes are owned by the team. This serves to reinforce the strength and quality of debate – and important team environment that we think is essential to making effective decisions for our clients.

We believe that articulating and incorporating our beliefs about the behavioural sources of mispricing gives us an edge and is an important differentiator.

We observe that prices often rise and fall to a greater extent than rationally justified. Our disciplined valuation framework provides us with an approach to identify high-conviction investment opportunities amid the uncertainties prevalent in markets.

Rather than being a team of stars – with managers operating on their own – we are a star team, with a very strong culture. We work together to get our best thinking on the table for clients and their portfolios. ■

How to pick under-priced assets in emerging markets

We believe the best way to outperform in GEM equities is with a disciplined value approach. In other words, the most attractive opportunities lie in those areas of the market neglected by the 'wisdom' of crowds. But how do you find them?

- *We look for companies whose shares have compelling valuation signals. The key to quantifying this is to first understand the drivers of sustainable earnings.*
- *Through rigorous research, we estimate and relate our view of a company's value back to the market price today.*
- *Importantly, our approach is to build high conviction in our understanding of the most likely drivers of returns for a company over the longer term.*
- *By identifying the most mispriced assets, we are looking to be more than compensated for the risks associated with a company's ability to generate longer term sustainable trend earnings.*

The result is a focused collection of 40-60 of our best ideas from across GEM – well positioned to take advantage of the opportunities in emerging market equities over time. Building attractively valued positions in stocks others are avoiding underpins our ability to deliver longer-term performance and differentiates us.

Making digital core to wealth management success

The challenge that private banks and other wealth management institutions in Asia continue to face, is that while they know they need to embrace digital, many of them are still unclear about what to do and how to do it.

One of the most important elements of going digital that firms need to focus on, is ensuring that they are adding value to the bottom line, their clients and internal stakeholders alike. And this is essential, given the amount of money that organisations are committing to digital projects.

Making things simpler, better and faster for customers, needs to be a key driver, given that institutions sometimes forget about the end-user in their path to digitisation, and it becomes just another business process.

Ultimately, in trying to measure digital success, it is important to establish a direct correlation to revenue uplift.

This will also contribute towards efforts to drive change in the culture throughout an organisation – a big contributor to buy-in at all levels, especially the front-line.

More communication to bankers is also needed on the benefits and value of digital to augment their role and performance – rather than replace them.

The way some of the more forward-thinking and digitally-minded banks are now spending money on digital is also evolving. For example, they now want to digitise the full value chain – from expanding the client experience to automating processes like client onboarding.

Paying attention to these and other success factors is ever-more pressing in the mission to adopt enterprise-wide digitisation, rather than many banks still looking to fix the basics, or continuing to apply what some practitioners call 'digital lipstick'.

The end-game, say many practitioners, is an improved multi-channel experience for clients which leads to increased AUM and revenue, and a better understanding of clients' needs, thanks to the technology.

This was according to speakers at the annual Hubbis Digital Wealth event in Singapore in June. ■

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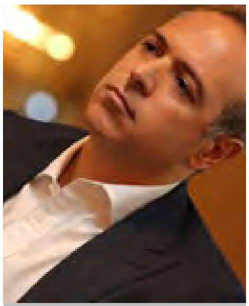
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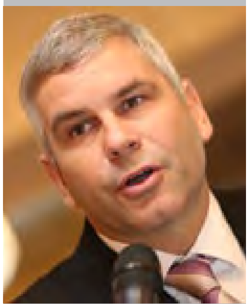

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Dealing in diversification

A healthy product mix has been instrumental to Union Bancaire Privée's (UBP's) success in Asia to date. It is now looking to direct investments, bespoke offerings and alternatives to make further headway in this crowded market, explains Aman Dhingra.

UBP is further sharpening its focus on its product and service offerings to continue to win in a crowded Asian market, explains Aman Dhingra, the Swiss boutique's head of advisory in Singapore.

UBP has outperformed most of its peers in Asia when it comes to the proportion of client assets in advisory and discretionary portfolios. At more than 30%, this is well-above industry average in the region. However, Dhingra notes that it is important for the bank to forge its own way forward as it continues to grow, and to avoid the path of many industry players that lack focus and simply continue to offer new products.

"We are currently launching a revamped advisory proposition with wider coverage and more enhanced portfolio tools."

AMAN DHINGRA
Union Bancaire Privée

"UBP stands out from other banks because of three core pillars of expertise: direct investments, strength in hedge funds and backward integration into asset management," he explains.

These pillars have served UBP in the region, as seen in its success in delivering portfolios which are truly diversified.

"The industry is evolving, particularly around the provision of investment advice and services. We must be cognizant of this and respond swiftly, and with appropriate services to stay ahead," shares Dhingra.

"As part of our efforts, we are currently launching a revamped advisory proposition with wider coverage and more enhanced portfolio tools," he adds.

A DIFFERENT PATH TO SUCCESS

For Dhingra, who leads a team of multi-asset advisers providing clients with guidance on their investment portfolios through bespoke advisory mandates, this has led to a number of success stories for clients.

For example, the firm recently spearheaded a US real estate deal involving assets leased to the US government.

"That was an interesting situation because it involved a safe tenant with mature properties.

It was a yield play that was reasonably attractive given the quality of assets clients were accessing," he explains.

In another deal prior, UBP was involved in brokering an aircraft purchase and leasing transaction.

The bank's clients collectively bought a commercial aircraft, which was leased to an airline.

"These are the type of direct investment deals we can create," says Dhingra.

"In this way, UBP's offering of direct investment is highly differentiated to the [run-of-the-mill] products offered by many banks."

ATTRACTED TO ALTERNATIVES

Dhingra also believes that UBP's legacy in the hedge funds and broader alternatives segments is enabling the bank to further tap into the growing wealth in the region.

"Another segment where we are seeing success, is in insurance-linked securities," he says.

"This market is diversified away from the financial markets, enabling us to offer an alternative source of returns within the clients' portfolios," he adds.

IN-HOUSE ASSET MANAGEMENT BENEFITS

The third key pillar to UBP's diversification strategy is having an in-house asset manager, the availability of which allows the bank to deliver more customised products to its clients.

"If I am sitting on the private bank side of the business and I see my clients need something that the asset management industry isn't offering at that time, I can discuss a customised product solution with our in-house team and plug the 'gap'," explains Dhingra.

"This approach is also in line with UBP's bespoke private banking and advisory mentality and offering," he says.

MORE STRUCTURED

Indeed, Dhingra is keen to see the industry move to a more structured approach to providing advice, including in key areas such as diversification and managing volatility within client portfolios.

There is still too much advice from private bankers that is focused on their clients buying a 'recommended' product, he adds.

"This is largely a product-level discussion, where firms build portfolios in a very ad-hoc way."

UBP's aim is to steer away from this 'ad-hoc' mentality through the use of a more portfolio-focused approach.

This is also part of an enhanced and better-defined advisory proposition that is increasingly available to a wider group of the Swiss bank's clients in Asia.

"We expect more clients to sign up for new advisory mandates even as we look to make continuous improvements to the platform and to ensure our universe covers more stocks and bonds. The process is continuous."

"We expect more clients to sign up for new advisory mandates even as we look to make continuous improvements to the platform and to ensure our universe covers more stocks and bonds," says Dhingra. "The process is continuous," he adds. ■

Letting performance speak for itself

Andrew Ang of J O Hambro Capital Management (JOHCM) explains how the firm is counting on its numbers to help it expand its footprint and deepen penetration across Asia.

An active asset manager with 14 out of 15 of its established UK and Irish-registered funds ranked in the top 25% of their industry peer groups is one to pay attention to. And so is one that has notched up 36 straight quarters of net new money.

As a firm used to delivering outperformance, London-headquartered JOHCM's confidence about being able to make a dent in the crowded wholesale space in Asia seems justified.

"We are a performance-driven house," says Andrew Ang, JOHCM's Singapore-based Asian sales director. "Whether talking about private banks, or institutional or retail investors, they all invest with the aim of achieving maximum returns or good performance." In particular, it is no surprise to him that there has been growing interest from Asian buyers in JOHCM's strong-performing European funds, enabling it to gain some

"Whether talking about private banks, or institutional or retail investors, they all invest with the aim of achieving maximum returns or good performance."

ANDREW ANG
J O Hambro Capital Management

traction in Asia six years after it first established a presence.

INVESTMENT AUTONOMY

JOHCM's approach is clear: no house view, no CIO, no stock buy-lists, no model portfolios and no investment committees.

As a result, its portfolio managers enjoy a level of autonomy that has allowed them to invest in companies as they see fit, subject to the usual compliance and regulatory framework.

The JOHCM equity funds business, set up in 2001, today manages just over USD38 billion worth of assets. But performance trumps scale.

The firm has earned its credibility by consciously adhering to a strategy of not allowing itself to grow too big to handle.

Being too large can be an impediment to successful long-term investing.

"When funds become too big their performance can suffer from a lack of nimbleness that prevents investment in the best opportunities within the stock market," explains Ang.

"We determine our capacity for each strategy at launch," he adds, "so that when we reach capacity for each fund, we will close it."

DISCIPLINE OVER SCALE

The firm's motto – aiming to be the best, not the biggest – carries through to its staff numbers, too.

JOHCM has 35 investment professionals and just over 100 other employees across the rest of the business.

The average industry experience of its investment professionals is 21 years, meaning many have seen and lived through several business cycles and crises.

"Our model is really like a boutique of boutiques," notes Ang, reiterating that this is due to individual teams of PMs having their own views and processes for the strategy they run.

This has enabled it to create a track record of outperformance borne out of high conviction in an industry where active fund managers are often criticised for failing to generate market-beating, long-term returns for their customers.

ASIA TRACTION

As JOHCM looks to gain more success in Asia with local investors, Ang says he is seeing interest slowly pick up in its Asia ex-Japan equity funds, along with some queries into its UK equity funds and the JOHCM European Concentrated Value Fund, run by talented stock picker Robbie Wouters.

"In the past, Asian investors saw the UK as part of Europe, but with the Brexit vote, people may start to look at the UK differently," he explains. Geographically, the firm is looking to develop a bigger brand name in Thailand as well as in Malaysia. But, again, it is the firm's wider capability that Ang wants to emphasise.

One area of expertise is Japan, where industry veterans Scott McGlashan and Ruth Nash have more than 60 years' collective investment experience.

Through their JOHCM Japan and JOHCM Japan Dividend Growth funds, they are continually on the look-out for fundamentally-strong yet undervalued, often overlooked, stocks.

Japan has undergone significant changes since Prime Minister Shinzo Abe took the reins in 2012.

McGlashan and Nash think the medicine is working, says Ang.

One question that does continue to crop up among Asian investors, however, relates to JOHCM's relatively limited resources in the region.

"We prefer B2B partnerships where our distributor has the reach and the channels," states Ang.

He expects performance to win out in the end. "I think this should be a bigger consideration than brand." ■

"When funds become too big their performance can suffer from a lack of nimbleness that prevents investment in the best opportunities within the stock market."

Riding the tech wave

Providing smart ways to back disruptive firms should lead to rising sales as investor interest in innovation grows, explains Elsie Chan of T. Rowe Price.

Elsie Chan believes that looking at the new generation of technology companies is an important way that T. Rowe Price's offerings to intermediaries in Asia can stand out.

In order to align the strategy with these clients' needs and, in turn, build out the firm's business in the region, she wants to stick with a tried-and-tested path.

Chan, the firm's Asia head of intermediary sales, is quick to highlight the strategy's history and track record as one of its strengths.

"We have been investing in technology stocks for a long time, and running a dedicated global tech strategy since 2000," she explains.

But this isn't a run-of-the-mill fund. "When we invest in technology, we're looking at technology companies, and companies enabled by technology," says Chan. "[The fund] has got an innovation theme to it, which can include disruption to existing industries or innovation that can actually create new sectors as well."

In short, the T. Rowe Price Global Technology Equity Fund aims to invest in companies that can benefit from innovation in technology, provide long-term capital growth potential, and leverage the expertise the fund house's global research platform.

Some of its themes include cloud computing, high-quality internet companies, industrial electronics software, cyber security firms, artificial intelligence and gaming.

Within these themes, the strategy favours disruptive companies – those that leverage technology in innovative ways, allowing them to capture market share from slower-footed competitors. "We are really looking beyond just the traditional technology companies," adds Chan.

ELSIE CHAN
T. Rowe Price

SHARPLY FOCUSED

In targeting intermediaries in Asia, Chan is exclusively focusing her attention on private banks at the moment.

The rationale for her optimism in delivering the technology fund is a diversification play away from the heavy fixed income focus.

"I think investors realise that there are lot of opportunities in equities, but they haven't really been leveraging these opportunities," she explains.

Her conversations with fund selectors and investment counsellors show an appetite to bring more balance to client portfolios, and not just to seek coupons.

In 2017 to date, fixed income remains prominent, with some pick-up in interest in multi-asset funds.

Increasingly, the firm is looking to grow Chan's team to service intermediaries in Asia, and in line with its philosophy more broadly, to fulfil its long-term strategy.

Dealing with the competition is an inevitable challenge that Chan is prepared for – especially given her confidence in the firm's unique, global approach to technology stocks and its 15 years-plus of investing in the sector.

"Not every fund house has the research capabilities that we do. Our strategy is supported by over 20 research analysts across different sectors and regions," she adds.

"Investors realise that there are lot of opportunities in equities, but they haven't really been leveraging these opportunities."

The case for investing in technology

T. Rowe Price believes investing in a portfolio that is highly concentrated in technology companies offers investors the opportunity to achieve growth regardless of the macroeconomic or political backdrop. For example:

- ***Over the past 20 years, technology experienced both the highest median returns and volatility. This should provide an opportunity for active management***
- ***Between July 2002 and December 2016, the technology sector had the highest median earnings per share growth rates in the MSCI All Country World Index***
- ***Within a low-growth environment, industries within technology – like internet and software – are uniquely placed to deliver meaningful growth***

Investments in pure equity funds are still quite small, but Chan sees an increasing appetite.

BRAND BUILDING

Another one of Chan's priorities is to raise the profile of T. Rowe Price and its funds, and wants to dispel any myths that the firm is a new kid on the block.

"Not a lot of people know that we have been in Asia for a long time," she says.

"We have had a Hong Kong office and locally-based investment professionals since 1987. For us, investment excellence always comes first."

In what she calls a "go anywhere" concentrated tech portfolio of around 40 stocks, she cites a high conviction and genuine global approach that offers a relatively high non-US component.

"The network and experience in technology investment we have built up over the last couple of decades is unmatched," says Chan.

This involves detailed analysis on many private companies, which then became small-cap stocks. Examples include the artificial intelligence space, where companies might not be ready for investment yet, but could be in two years' time.

"We start from a very early stage, and I think because it is a sector that changes so rapidly, identifying these good companies early on is very important," says Chan.

She is also upbeat about the future, with high hopes of adding to her stable of offerings.

"We have some strategies concerning more broad fixed income funds, which a lot of people have been looking at, and also unconstrained bond funds, where we relax our investment guidelines a little," she explains. ■

Building capacity and capability in Malaysia

Perhaps most pressing in the country is the continued need to overhaul the business model across the wealth management industry, while creating the right type of (long term) revenue – which will help to boost penetration of funds and retain more assets onshore.

The wealth management industry in Malaysia must evolve and mature in several key ways, if it wants to make the most of the expected trend towards more assets staying onshore amid greater transparency globally.

In particular, the paradigm of trying to generate more and more revenue from product sales is changing as margins continue to compress. As a result, institutions and individual advisers are waking up to the realisation that they need to find new ways to create value – which means provide real advice.

In short, this involves putting themselves in the shoes of their clients first, and understanding their needs. This is particularly important given that the investment, regulatory and tax landscapes are more complex than ever before. This demands a more personalised and tailor-made approach to individuals and families.

Deepening relationships in this way is also a key part of working more closely with the next generation of investors – whose requirements and needs are clearly different. Inevitably, making more use of fintech solutions and new online platforms is a key part of this. Essentially, a hybrid model seems to be a likely way for the industry to move forward in Malaysia.

At the same time, succession and governance remain big issues for business families in Malaysia.

A key hurdle for the domestic industry, however, is that many consumers still do not see sufficient value in the role of advisory services general, so tend to avoid paying for such services. Yet the optimists in the market believe that as markets mature, coupled with new developments in technology, services will converge to become more personalised and relevant – and thus command a fee. ■

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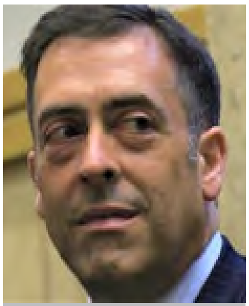

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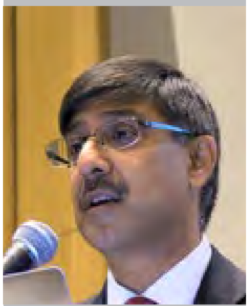

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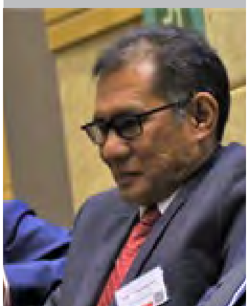

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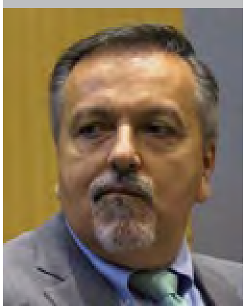

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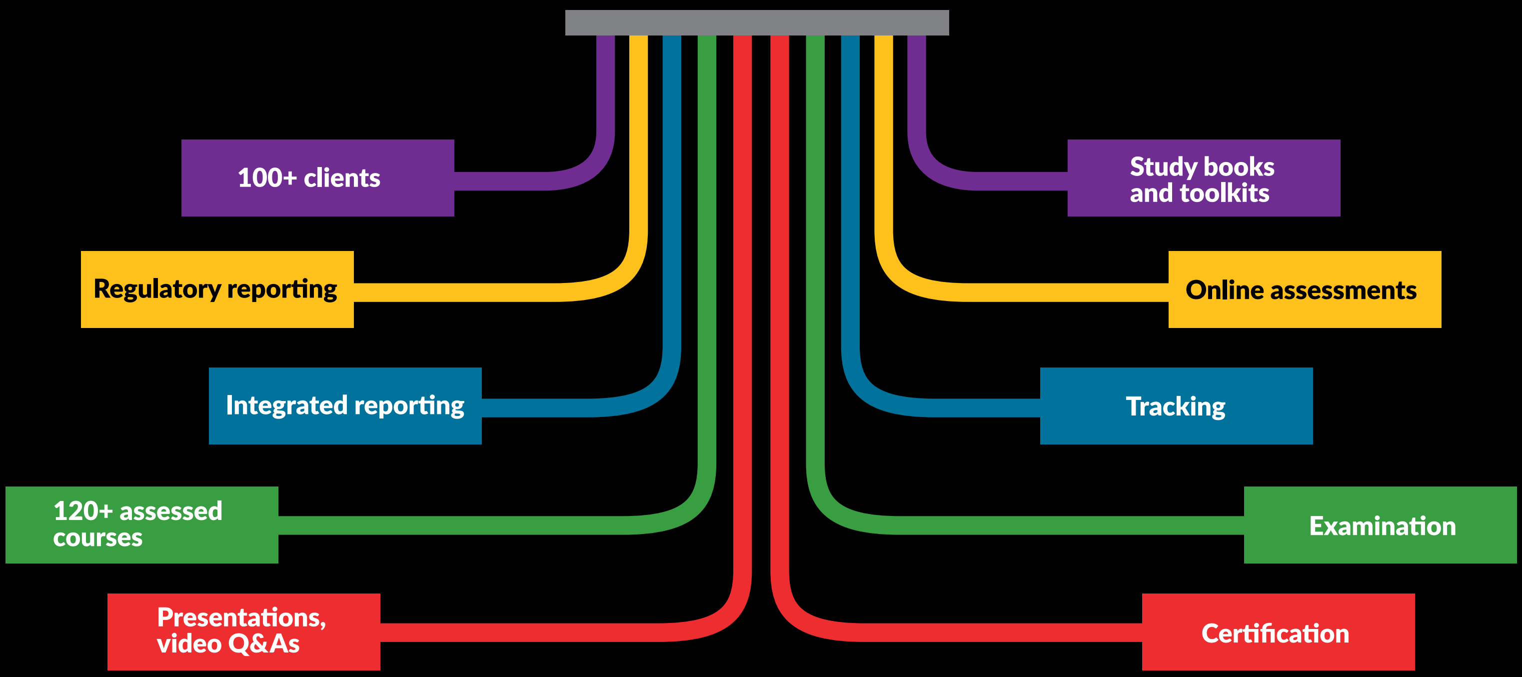

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PWM PRIVATE WEALTH MANAGER

Joining the distribution dots

Pedro Bastos wants to unite all parts of the HSBC pipeline to deliver sustainable or consistent performance via the type of supportive, partner-led approach which will create long-term relationships. He can then deliver this to external parties too.

PEDRO BASTOS
HSBC Global Asset Management

Being all-things-to-all-people in the asset management world is the Utopian dream that HSBC veteran Pedro Bastos is striving for.

As chief executive officer for HSBC Global Asset Management (HSBC AMG) in Asia Pacific, the Brazilian banker has a vision to provide an umbrella for the different distribution arms of the international bank in the region. This stretches from retail to mass affluent to private clients, but also including the corporate and commercial arms as well as institutional investors.

"We aim to be the main provider of asset management service for the bank's clients, which means that we operate across all of the segments where the bank operate," explains Bastos.

"We aim to be the main provider of asset management service for [HSBC's] clients, which means that we operate across all of the segments where the bank operate."

This requires a multi-asset class approach across the full range of the asset management arm's capabilities. "This includes a new infrastructure team, with fund of hedge funds and private equity also in our plan," he adds. This is in addition to traditional long-only multi-asset equities and fixed income.

PREPARED FOR THE CHALLENGE

After joining the group in 2006 to run the asset management business in Brazil, Bastos took on the leadership role for AMG for Latin America in 2010. Then, in June 2014, he moved to Hong Kong to assume his current position.

After three years in the Asia Pacific role, and spearheading his new initiatives to deepen and broaden the existing capability, he is now confident that the firm is good in all cycles.

This is important given that at any point in time, he knows there will be some products which have better or worse performance than others.

For now, things are looking up. "We recently had a monthly performance review in Asia where we have USD131.4 billion in AUM," says Bastos.

"Almost across the board, we are doing very well compared with the benchmarks," he adds.

Yet he is not resting on his laurels and is street-savvy and experienced enough to realise things can turn quickly in this industry.

"The wholesale market is extremely competitive," he explains. "Even our internal market [at HSBC] is extremely competitive when it comes to wholesale because of the number of offers available."

As a result, he says the firm looks to differentiate itself by concentrating on the expertise it has in conjunction with the long-term relationships it aims to build with its partners.

PROVIDING THE RIGHT SUPPORT

In practice, this means support, for example in the form product updates and service levels.

Yet he is pleased that as a firm, HSBC is notable for not advertising specific products, since it is against corporate policy. "We do brand-enhancing and brand-building campaigns once or twice a year at the most, but talking about our capabilities and trying to educate our distributors on our expertise and taking a long-term approach," explains Bastos.

The support on offer from HSBC AMG comes in various forms, he explains. This includes training, in terms of explanations and updates for distributors. "We would hope that if we can do the same for all our external distributors, the virtuous cycle will be enhanced and therefore more and more investors will recognise us as a full player in this segment."

"We would hope that if we can do the same for all our external distributors, the virtuous cycle will be enhanced and therefore more and more investors will recognise us as a full player in this segment."

This also requires Bastos to lead by example and gain client confidence by ensuring that the communications flows both internally and externally – across the entire region – are as smooth as possible.

"[I want to] make sure that our investment teams, our product capabilities and our product development people are talking to each other all the time," he explains. "That way, we can come up with best solutions and try to maximise performance as much as we can."

In this way, as a firm with the scale already, he believes HSBC AMG can be a much better partner to its clients in what he calls "bank-associated asset management". ■

After hours with Pedro Bastos

- *A lover of the art market – so much so that if he were to start another career all over again, he would probably follow in the footsteps of his history classes and become an auctioneer rather than an asset manager*
- *Has been living in Hong Kong for three years*
- *Originally from Rio de Janeiro, Brazil*

How to deliver performance

Wealth managers and investors alike have been enjoying the fruits of positive markets in recent months. To position portfolios for the rest of the year, product specialists suggest how advisers can help guide their clients.

After a very busy start to the year for banks in terms of structured products volume, there doesn't seem to be anything on the horizon to suggest this will change soon.

This was a key take-away from speakers at the annual flagship Hubbis Investment Solutions Forum in Singapore in June.

In fact, 43% of poll respondents said they believe structured products volumes will be higher in the second half of the year.

Yet this is tough to predict. Yield enhancement is getting increasingly challenging to design with higher strikes and lower yields. Plus, betting on market direction is increasingly challenging due to stretched valuations and geopolitical concerns.

Some of the best ways to deliver performance include actively-managed certificates (AMCs), say product specialists.

Fund-linked derivatives can enable investors to achieve a lower risk rating and higher leverage value.

They achieve potentially a higher return on capital – which could be as high as 45% per annum, based on historical returns of the funds.

Bonus enhancements offer a good trade-off and are not so sensitive to volatility – some of the yield can be used to embed some downside protection.

A market correction, if it happens, would offer opportunities. If not, specific sectors and correlation plays can be looked at.

Panel speakers

- ***Akshay Prasad,*** *Managing Director, Head, Structured Products Asia, Global Products and Solutions, Deutsche Bank Wealth Management*
- ***Roger Meier,*** *Executive Director, Head of Structured Products Advisory, Asia, Bank Julius Baer*
- ***Emmanuel Guillaume,*** *Director, Structured Products, UBP*
- ***Rohit Jaisingh,*** *Head, Equity and Commodity Investment Products, DBS Bank*
- ***Mathieu Perfetti,*** *Director, Head of Private Equity Asia, Indosuez Wealth Management*

Akshay Prasad
Deutsche Bank Wealth Management

RISK-ON STILL

The activity and performance in the first few months of 2017 has resulted in clients seeming to be pretty relaxed about their risk.

The consensus is that the mood is still one of risk-on / economic expansion cycle with improved fundamentals – with hardly a need for downside protection despite expensive valuations.

Even the principal-protected note (PPN) on funds is not so much about downside protection; it is more about additional upside plus still getting LTV on the note.

At the same time, reward expectations are also lower, both in equity and fixed income.

From a structured products point of view, a lot of the focus is on equities and fixed income. There are more notes than OTC, given that volumes are generally too low for single underlyings.

Roger Meier
Bank Julius Baer

43%
Poll respondents who said they believe structured products volumes will be higher in the second half of the year (than in the first quarter of 2017)

There has also been some recent appetite in funds due to some optics/value in interest rates, with some tactical trades on FX and rates.

PRODUCT DEVELOPMENT

From a product development perspective, banks say they are looking to market products with recurring fees for bad times.

In general, the challenges of a low volatility, high correlation environment have led to a moderating down of yield expectations.

To enable investors to be creative in generating yield, practitioners say they are seeing slightly longer tenors to achieve certain yields. Bond portfolios are being actively managed by portfolio managers as it gets harder and harder to find value.

Emmanuel Guillaume
UBP

Call warrants linked to funds might also offer investors an opportunity, with returns like 4% to 4.5% per annum.

These are also interesting on a leveraged basis, say practitioners, ensuring that you don't have too much capital exposed to it. Principal protected structured pay-offs like Himalayans and best-of will become viable when rates move higher, add practitioners.

In general, practitioners say that the scope of products already available in the market is more than sufficient, but somehow under-utilised. The industry is not in need of additional innovation, but rather must educate clients with the existing possibilities.

The key needs to be optimising a given market view and/or a specific client need.

Rohit Jaisingh
DBS Bank

96%
Poll respondents who said Asian clients should look for principal protection, not leverage, for the rest of 2017

In addition, a key value-add of structured products is to identify, whenever possible, technical market opportunities in the hidden asset classes, such as volatility, dividends, borrowing, forwards, term structure, funding and correlation.

TAKING AN ALTERNATIVE VIEW

In terms of private equity, a large appetite has developed in Asia for such investments, given the hunt for superior returns over the longer term. Here, in-depth due diligence is key to delivering over-performance. To achieve attractive returns, there is a need to build-up diversified portfolios of top-quartile performing investments.

Current challenges relating to the asset class stem from a mix of competition and company valuations at acquisition.

However, in such low-rate environment, private equity is potentially more favourable than private debt – in the context of expected returns versus liquidity.

In particular, attractive opportunities exist across Asia as the decelerating growth trend provides interesting investments for private equity funds. Co-investment is also an interesting investment tool to optimise returns. Diversification is a pre-requisite. ■

Mathieu Perfetti
Indosuez Wealth Management

How HP Wealth Management delivers value to its clients

In a video interview, Urs Brutsch of HP Wealth Management explains the value proposition of his firm, including the disciplined investment processes and risk controls in place to make it a robust model.

Singapore-based independent asset management (IAM) firm HP Wealth Management strives to service HNW and UHNW individuals and families, for whom managing partner and founder Urs Brutsch believes the firm can combine the best of both worlds.

This means clients custodise their assets with a bank (or banks) with which they are comfortable, and then HP Wealth Management provides completely independent advice.

The firm has no financial incentive to sell a particular product or recommend a specific transaction. And once clients understand that the firm is really working for them in their best interests, then they are willing to pay for the service.

This also involves a structured approach to giving investment and other types of advice. And Brutsch explains that his firm imposes a lot of discipline in terms of its discretionary and advisory portfolios. For instance, it has an investment committee chaired by its CIO and also meets to determine the tactical asset allocation. To ensure the right risk controls, the firm also involves two independent people, with compliance and risk management checking on the execution of the mandates within the risk profiles.

The firm also has internal and external audits to add to the checks and balances.

PRIORITIES

Looking forward, he wants to hire senior bankers to bolster the firm's proposition and build on the foundations. But to address the perceived risks many bankers will have about a move to an independent firm, he hopes to see more individuals embracing the entrepreneurial mind-set needed to overlook a short-term reduction in salary or lack of guaranteed bonus.

Scaling the business is also a challenge due to the expensive nature of a high-quality IAM business model with the required compliance, risk management and portfolio management tools in place. ■

URS BRUTSCH
HP Wealth Management

Alternative ways to invest

HNW investors increasingly hold gold and diamonds to diversify assets and mitigate risks, says Ido Tomasis of Malca Amit.

The growing appetite among Asia's wealthy for diversification has created new opportunities for some firms.

For example, Malca Amit, founded in 1963 in Israel (with headquarters based in Hong Kong since 1978) – a logistics firm that transports and stores precious commodities and art under fully-insured, all-risks liability – has seen an increase in demand for its storage services given the rise in demand for physical gold in Asia.

"The appetite is because of a desire of HNWIs to diversify their investments, some of it into physical assets," says Malca Amit director Ido Tomasis. "They have been educated that gold is also liquid."

"When you look at the demographics and the emergence of Millennials, it's clear that will be a large part of the future investment landscape."

DRIVING DIVERSITY

The firm has a diverse offering to cater to different needs.

In Hong Kong, for instance, it offers security against all kinds of thefts. Such storage services negate the need of HNWIs to store property at home and risk burglaries, which are common during holiday periods when the individuals are away from their homes.

IDO TOMASIS
Malca Amit

This means that the secured courier is not just used to transport gold and diamonds, but also to store inherited jewellery and investments held in gold, diamonds or art by wealthy families.

"We continue to hear from the market that some HNWIs have the desire to keep certain assets in physical form rather than paper or electronic form," explains Tomasis. "They are concerned about catastrophic economic volatility and geo-political effects."

VAULTS

Such drivers of interest in Malca Amit's business has led to the firm expanding its physical infrastructure to 33 countries.

Part of the growth has been in terms of the volume of shipped and stored gold and diamonds, and the consequent security concerns.

The firm operates gold vaults in Hong Kong, besides secure bullion vaulting facilities in Singapore, London, Shanghai, New York, India and Switzerland.

In Hong Kong, the Malca Amit gold vault opened in 2012 and can hold 1,000 tonnes, which equates to roughly 22% of the amount of bullion reportedly in the US government's depository in Fort Knox in Kentucky.

In addition to the worldwide shipping, storage, exhibitions and insurance products for the jewellery industry, the firm also has the biggest market share worldwide in diamonds shipping, carrying over 60% worldwide, adds Tomasis.

EXPANDING

The logistics firm now offers Ultra-Vault, a vault facility that HNW clients from Hong Kong can access anywhere in the world.

"The concept was to bring our knowledge of what we do for big financial institutions now, ie. bullion banks which we manage inventory for, and bring that into the private wealth sector," says Tomasis, who has a number of years of experience in transport security.

Malca Amit sees investment in physical gold bars growing. The firm encourages clients to buy from legitimate industry sources who offer buy-back so that clients can move from cash to physical forms of gold and vice versa easily, considering the benefits of liquidity. ■

Principal Global Investors eyes next phase of Asian growth

A year after joining the firm's multi-boutique business model from BlackRock, Suresh Singh has focused on laying a solid foundation upon which he will now start to broaden the offering to the region's private banks.

A steady approach based on a philosophy of doing a few things well, feels right for a lesser-known brand in the cut-throat world of Asian wholesale asset management.

In line with this, Suresh Singh has been focused on getting his feet firmly under the table at Principal Global Investors (PGI) before seeing where the opportunities lay for growth going forward.

This has been essential, given that he no longer has the kind of vast on-the-ground support he grew accustomed to at BlackRock, his previous employer.

So his approach since arriving at PGI in August 2016 has been to focus on one opportunity from the array of boutique investment managers on the firm's menu.

"We decided to focus on a flagship product to build traction and then to introduce offerings from other boutiques."

SURESH SINGH
Principal Global Investors

For Singh, head of fund distribution for the firm in Asia, the subordinated debt fund that Spectrum Asset Management has had decades of experience in managing, has been a good choice to offer fund selectors at private banks.

"As many [distributors] haven't heard of [PGI], we decided to focus on a flagship product to build traction and then to introduce offerings from other boutiques," he explains.

With the value of this approach now proven – with Spectrum's fund now on a number of platforms, he believes the firm has far more credibility as it looks to more actively market some of the other dozen boutiques that make up the PGI family.

PLAYING ON YIELD

The subordinated debt fund has gained what Singh describes as very good traction with private banks and institutional investors alike over the past few months. "This is a high-quality product, 80% investment grade with an attractive yield," says Singh. "In the investment space, it's all about relative value now, because if you look at any asset class, it's looking rich."

One of the factors supporting its popularity has been the ongoing interest in high quality income products from private banks, even as the pendulum has shifted towards equities as markets continue to do well globally. Singh is now preparing to pitch for a broader engagement with the clients which have had a taste of the Principal's capability, bringing them more products designed along similar lines.

"High quality income products are selling well," he explains. "There has been some movement towards European equities and other more thematic products like technology and healthcare, but fixed income is still the bread-and-butter business for many private banks." PGI is also focused on ensuring quality, rather than offering something different just for the sake of it, as a way to attract clients.

"High quality income products are selling well. There has been some movement towards European equities and other more thematic products like technology and healthcare, but fixed income is still the bread-and-butter business for many private banks."

REAL ESTATE ROLL-OUT

His success riding on the twin pillars of quality and income in subordinated debt has given Singh the optimism to showcase PGI's real estate solutions next – including real assets as well as listed property securities and CMBS.

Broadly, the offering in this area is bundled into four quadrants managed by its boutique, Principal Real Estate Investors: private equity; public equity; private debt; and public debt. Singh says PGI is also happy to work with its clients to tailor an investment strategy that best fits their risk/return and liquidity requirements. As is the case with most of the products from the various boutiques, the real estate package plays on income too.

Although clients in Asia like to have their investment in liquid assets, Singh is eager to pitch these less liquid options to clients. "There has not been huge demand so far, but some of the private banks are showing interest in less liquid assets."

A COLLABORATIVE APPROACH

An example of how PGI is positioning such a strategy is its partnership in Singapore with one of Principal's joint venture partners – China Construction Bank (CCB). In April 2017, PGI signed a MOU with CCBI Singapore to help design a real estate solution for its clients that balances liquidity with yield, within a portfolio comprising listed and direct real estate investments.

Looking ahead, Singh will continue to focus on private banks and independents ahead of other distribution channels. He believes that with limited resources, this focus provides him the best opportunity to further grow the business in Asia.

GROWTH WITH CAUTION

Even as PGI builds momentum with the private banks in the region, Singh still recognises the importance of not spreading himself and the firm's Asian business too thin at this stage. "All of our 13 boutique managers are excited to come to Asia, but there are only a few sub-sets that clients want to see [at any one time], so this immediately narrows down our focus," he explains.

At the same time, he is continuing to focus on brand building as a priority for PGI going forward, given the reality of how important brand is in Asia. ■

Disrupting Manhattan commercial property

Rodrigo Niño of Prodigy Network explains the firm's vision in revolutionising both the commercial real estate and crowdfunding industries – by being the first to meld the two worlds in the US, and then bring it to investors globally.

Prodigy Network's crowdfunding model is all about offering an efficient and secure mechanism that enables investors from around the world to buy into specific projects that were previously only accessible to the wealthiest individuals.

It was recently dubbed by Harvard Business School as 'democratising real estate design and financing'.

This is based on the vision of Rodrigo Niño, the firm's chief executive officer and founder, that the crowd can finance the solution of many of the problems of the current society.

"We are giving smaller investors access to institutional-quality projects, through the use of technology, that were previously privy to the very wealthy," he explains. He says the share-value paradigm ingrained in the crowdfunding formula can level the playing field for everyone. In turn it changes the way individuals relate to each other in the context of money.

More specifically, he sees capitalism evolving into a crowd-economy, "where profit and positive impact line up, ideas are rewarded over capital and there is a shift from self-interest at the expense of others into a function of positive impact on society."

GIVING MORE ACCESS

Prodigy Network is referred to as one of the largest real estate crowdfunding platforms in the world.

Its portfolio is worth over USD800 million dollars, with USD500 million raised from investors in 29 countries and 27 US states. In addition to the equity provided by 'smaller' investors from around the world, the firm has also obtained traditional financing from large institutions such as Deutsche Bank, Bank of America, and CIBC. "Investors from around the world can have access to private equity-type returns by investing in commercial real estate in Manhattan [New York City]," says Niño.

RODRIGO NIÑO
Prodigy Network

The first of these opportunities was AKA United Nations, completed in 2015, around two years after the JOBS Act was signed by President Obama, which allowed such investments. “We were there at the right place at the right time,” acknowledges Niño.

Since then, the company has a total of 5 projects that are fully funded in New York City, including two successful exits with double-digit IRRs for its investors.

TRUE COLLABORATION

Niño is careful to clarify that Prodigy Network is not an intermediary. “We are sponsors and co-developers in every project,” he explains. “This ensures accountability from our development partners on behalf of our investors.”

For the first 5 projects in Manhattan, Prodigy has joint ventured with development firm Shorewood Real Estate Group, led by Larry Davis, who brings over 30 years of real estate investment and development experience. The strategy consists of providing value-add development to well-located, under-performing assets.

The portfolio consists of two extended-stay hotels operated by AKA and three collaborative workspace variations under ‘The Assemblage’, the first of which will be opening its doors in less than one months’ time.

“We provide access to an investor dashboard for easy monitoring of investments,” says Niño.

Overall therefore, Niño believes this clearly has appeal to investors around the world, including in Asia, as a way to diversify portfolios.

WEALTH MANAGEMENT GROWTH

Prodigy has built a strong footprint in the Americas but has recently been growing its distribution throughout Europe and Asia via wealth managers.

A unique part of the business model is the ability for financial advisers to invest on behalf of clients through their private banking channel. “We are seeing more and more independent wealth managers utilise our FlexNote product, which allows for the adviser to purchase our single asset funds on behalf of their clients,” says Niño. “Each project is structured using an exchange-traded note with a unique ISIN code.”

The private banking channel makes up about 50% of the capital that Prodigy Network raises for its assets. The average ticket size for these investments is around USD200,000. ■

Mirae Asset continues global march

The Korean group is targeting Europe and Australia as part of efforts to widen its distribution net beyond Asia for new funds in the pipeline, explains Jung-Ho Rhee.

Mirae Asset Global Investments (Hong Kong) has grand plans to expand its Asia footprint, with expansion to Australia initially and a blueprint to set up more operations in Europe.

"We are expanding our distribution capability in Europe and Asia Pacific, including Australia, so it is a continuing effort."

"We are expanding our distribution capability in Europe and Asia Pacific, including Australia, so it is a continuing effort," explains Jung-Ho Rhee, president and chief executive officer of Mirae Asset Global Investments (Hong Kong).

The firm is looking to increase the number of distributor relationships it has in the wholesale and retail space, plus expand its institutional investor network via insurance and pension funds. Family offices will also continue to be high on the list. This is all in response to growing interest in Asia from investors around the world.

JUNG-HO RHEE
Mirae Asset Global Investments

BALL IN MOTION

The past few months have already seen the firm undertake several relationship-building activities in specific countries across Europe. More specifically, it has initiated business development with local partners in Germany, France and Poland. And in Australia it is in dialogue with prospects in both the retail and institutional segments, as well as with consultants.

"These markets are top priority in distribution and the product offering, as we already have an Asian-based product offering capability," adds Rhee.

Closer to home, in China, he says the firm had been anticipating the inclusion within the MSCI emerging market index as a business development opportunity.

"There is a rapidly-growing domestic market in China, so we will continue to work with our team in Shanghai to find good names on the Shanghai and Shenzhen boards," he adds.

This is in line with his ambition to see the firm develop its bond and income range of funds for the UCITS platform.

For example, in December 2016, the firm launched the Mirae Asset Asia Pacific Multi-Asset Income Fund with a focus on Asia Pacific asset classes.

Adopting quantitative analysis, the first portion of the portfolio is an asset allocation core, which aims to set out an optimal medium-to-long-term multi-asset mix for achieving growth and generating income.

"There is a rapidly-growing domestic market in China, so we will continue to work with our team in Shanghai to find good names on the Shanghai and Shenzhen boards."

This is a continuation for Mirae Asset of the development of its China capability over the past decade – which also saw it become one of the first foreign managers to have successfully converted an advisory wholly foreign owned enterprise business into one that allows it to carry out WFOE Private Fund Management activities.

STAYING COMMITTED IN ASIA

Despite the global growth ambitions, however, Mirae Asset isn't getting distracted, says Rhee.

And he maintains that the firm has been continuing to provide its Asian-asset based capabilities – not only in equities but also across fixed income and multi-asset products.

The second portion is a tactical layer capturing investment opportunities through individual stocks and bonds as an enhancement to the exposure expressed in the core portion. And the third portion of the fund manages the risk exposures of the fund on a holistic level, and seeks to mitigate risks and dampen the volatility of the portfolio.

More recently, the firm launched an Asia bond fund. Benchmarked against the JP Morgan Asia Credit Index and focusing primarily on short- to medium-duration investment-grade credit, the fund gains exposure to corporate bond, government, supranational and high-yield names. "We have a strong capability based in Korea covering Asian credits, so we can manufacture that capability into our UCITS range for a global offering," explains Rhee.

India progress

As a sign of Mirae Asset's commitment to India, meanwhile, the firm has also launched its India Portal (www.miraeasset.com/india/) to showcase its firm-wide Indian equity capabilities.

The progress the firm has made is all the more impressive given that many other global asset managers have retreated from this growing yet challenging market.

On a global consolidated basis, the firm manages more than USD2 billion in Indian equities and USD250 million in Indian fixed income instruments (as of March 31, 2017).

A RANGE OF OPTIONS

The firm has also actively been promoting its global emerging market unconstrained bond strategy this year, especially in Europe and Asia. At the same time, unlike many competitors that are purely active, Mirae Asset can also tap into its ETF product range.

Indeed, the firm announced in mid-July that the net assets of Mirae Asset Global Exchange ETFs – which advanced into 6 countries including Korea, Canada, Australia, Hong Kong, the US and Colombia – surpassed the USD15 billion milestone as at end June 2017.

As a result of having a mix of strategies in place, therefore, Rhee says he is confident that Mirae Asset is heading in the right direction. ■

Better benchmarking for Greater China

An expansion push by Morningstar in the region will see the firm bring new products and innovations in a bid to take the lead as an independent investment research content provider.

Given that Morningstar provides tools to ultimately try to help individuals plan, save and invest to reach their financial goals, it isn't unrealistic to think of the firm as playing one of the most influential roles within the global funds industry.

As an independent investment research company, it started off – when founded by Joseph Mansueto in Chicago in 1984 – by teaching do-it-yourself investors and advisers how to pick the most reliable mutual funds. It later moved on to stocks, ETFs and other investments.

Over 30 years on, a key strategic goal for the firm is a concerted push within Greater China with a unique blend of independent advice and products.

Spearheading this new dawn are Nick Cheung, chief executive officer in Asia, and Peter Dietrich, head of business development for Greater China. And they both see enormous potential to advance Morningstar's footprint in the region. "Looking at how we have developed our business [in Asia], it was very different 15 years ago. For the first 10 years, we were more focused on building our business around data and some of the basic fund research," explains Cheung. "Over the last few years, we have evolved our focus, towards bringing our research capability into Asia."

This has seen the firm look to deliver a mix of its research, including equity and manager research, as well as its investment management-related capabilities.

"This will continue to be the driver for us down the road, for the coming few years," adds Cheung.

NICK CHEUNG
Morningstar

MEETING INVESTOR NEEDS

This is part of the efforts to more generally build a broader awareness of the firm's global suite of services. This is in line with what Dietrich sees as the needs within the local market – some of which can be served now and others in the near future as they are required. "We partner with organisations and want to continue to do this as part of the whole decision-support mecha

PETER DIETRICH
Morningstar

nism," he explains, "whether it be with a private bank or designing a platform suitable for the respective audiences, to asset allocation, to even more guidance for the individuals."

The firm has also invested a lot in the behavioural science field. Since there are so many potential investment outcomes, Dietrich says there is huge potential to change investor behaviour that adversely impacts returns and performance.

Morningstar's first global study to measure how average investors fare in a fund and the impact investor behaviour can have on outcomes, found investors achieved better outcomes when using systematic investment programmes and invested in lower-cost funds.

The study used the Morningstar Investor Returns methodology to derive a dollar-weighted return of a fund that incorporates the effect of cash inflows and outflows from purchases and sales, as well as the increase in a fund's assets. Research drew on preliminary Morningstar open-end mutual fund data from Australia, Canada, Hong Kong, Luxembourg, Singapore, South Korea, Taiwan, the UK and the US. (Findings were released in June 2017.)

During the five-year period through December 31, 2016, the study found that investor returns across the globe varied from stated returns, on average, by a range of -1.40% to 0.53% per year (see box for more findings). "Investors tend not to market time their portfolio which is why the investor returns are often higher in target date products and much lower in higher volatility categories," adds Dietrich.

ADDING VALUE

Regardless of new concepts and products on offer in Asia, it is Morningstar's independence – which has stood the test of time – that Cheung also says is key to its regional growth ambitions.

This is rooted in the belief among investors and advisers that the firm will not favour any single investment or fund manager. "We have a validated, solid global process at the equity research level and a rules-based format for every investible vehicle," urges Dietrich.

Ultimately, a major goal is to help its target audience drive down their overall costs via the series of solutions.

The firm has also brought its strategic beta indices to Asia, adds Cheung. These basically take in Morningstar's equity research from its team of 300 or so analysts around the world. "We are helping people looking at investments from a platform perspective, whether they are platform providers, private banks, insurance companies or others." This involves bringing to the region the firm's manager due diligence through its platform capabilities. "Some firms use our strategic beta indexes for structured products, as well as ETFs and other passive instruments," explains Cheung.

While the structure is agnostic, the firm is taking the qualitative research it distributes on the wealth management side of the business, to turn into a transparent, systematic, disciplined rules-based investment process. This creates a passive investment with an active tilt. ■

The impact of investor behaviour on returns

Highlights of the global study:

- *Investors in Singapore experienced the largest negative investor return gap, at -1.40% per year for the five years ended December 2016. By contrast, investors in Australian superannuation funds benefited from the largest positive investor return gap at 0.53% per year*
- *The investor return gap in the US shrunk to 37 basis points annualised over 10 years from 54 basis points for the 10 years ended 2016, indicating that investors are making less harmful market-timing calls*
- *Investor returns per year proved positive for allocation funds in the US at 0.05%, superannuation funds in Australia at 0.53%, and fixed-income funds in South Korea at 0.47%. These countries all offer investment vehicles with automatic contribution or payment options that keep investors on track and prevent them from unwise market timing moves*

Adapting to the shake-up in Asian wealth management

Now rebranded to CBH Asia after being bought by Swiss-based bank CBH Bank, the former TTG team is integrating into CBH Group and CBH Asia Limited will play a vital role in establishing the CBH brand in Asia.

The dynamics of the wealth management industry in Asia have changed fast.

And amid pressure on both the local and global economies, firms with various advisory models are grappling with a landscape where compression of revenues and rising costs are colliding.

It is in this type of environment where a pragmatic but modestly optimistic view goes a long way.

For Jon Dingley, it was the right decision to sell TTG, one of Hong Kong's leading independent wealth managers since 1993, to an international financial institution, namely CBH Compagnie Bancaire Helvétique (CBH Group) based in Geneva.

Although the acquisition was in 2015, it is only since the start of h 2017 that the rebrand was completed and CBH Asia Limited was up-and-running in its new form. This is an important milestone for CBH Group, as this independent, family-owned private bank focuses on completely integrating the TTG team into the CBH Group.

"Our clients need something extra which might be something different from the traditional services of wealth management."

POSITIONING

The right size is not easily defined. Dingley takes a practical approach.

"I think it is hard to generalise because it is very dependent on every type of company and actually its business model."

In addition to decades of wealth management experience offered by CBH Group, HNW individuals are also assured of receiving unbiased advice from CBH Asia, as it operates as an independent wealth manager that is not influenced by any large financial institution.

Using an open architecture product platform, CBH Asia is working to meet clients' distinct financial goals.

CREATIVITY WITHIN EXCELLENCE

CBH | Asia

Similar to CBH Group, incorporating a holistic approach and entrepreneurial spirit, CBH Asia provides its clients with a solid set of services, encompassing all the aspects of their wealth and family needs.

CBH Group's comprehensive wealth management plans are tailor-made according to a client's investment objectives and can incorporate credit, banking services, tax management, retirement and estate planning.

Efficiency and scalability are key to the way he sees the business. But it is also important to have flexibility.

"If you are managing client portfolios and you have money with many different institutions, that makes it more difficult to manage those portfolios," says Dingley.

"If you have one custody platform, it is much easier to manage those client portfolios in an efficient manner, because you can affect all the portfolios with a single transaction."

VALUE FOR MONEY

Dingley also knows that the predominant culture in Asia is one where most clients would rather accept the fact that advisers earn some sort of commission associated with the transaction.

His answer is to focus on discretionary portfolio management in Asia. "That's our core offering," he claims.

"We are able to do that because most of our clients are successful senior executives in multi-national firms or entrepreneurs."

As a result, they are busy focusing on their primary responsibility of running their own companies or parts of larger businesses. Further, his investors are not frequent traders.

"So they give CBH Asia the money to manage," explains Dingley. "CBH Asia agrees on a mandate at the outset and can create something bespoke for the client and then it is our job to go and manage the portfolio within that mandate."

ALIGNING CULTURES AND CLIENTS

CBH Asia complements CBH Group as both have a rich experience in protecting and growing their clients' wealth.

"Where CBH Asia can offer added value is in other areas," Dingley argues.

"Our clients need something extra which might be something different from the traditional services of wealth management, such as setting up a trust or assisting with a will and succession planning," he adds.

The willingness to understand our clients' requirements by going that extra step shows the client that we care about their well-being and financial security, makes the difference in the long-run. ■

People and firms who supported this publication

We appreciate the participation and contribution of key individuals and organisations across the wealth management community to the content in this publication.

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