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INDEPENDENT WEALTH MANAGEMENT IN SINGAPORE

–

A HUBBIS PRE-EVENT ‘TASTER’ SURVEY

hubbis

SETTING THE SCENE FOR THE 2024 HUBBIS INDEPENDENT WEALTH MANAGEMENT FORUM

Looking ahead

- On April 17 in Singapore, Hubbis will host one of its most important conference events of the year as a carefully selected set of expert speakers and several hundred delegates, many of them decision-makers in their businesses, assemble for our one-day Independent Wealth Management Forum.

- In anticipation of what is always a remarkably diverse, engaging, informative and thought-provoking event, Hubbis has curated this short pre-event 'taster' survey to highlight some of the key current and emerging themes and discussion topics, as well as detailing and analysing some of the more important challenges the market participants face. We do not purport to present this survey as in any way comprehensive, but more as a tasty appetiser in advance of the main event.

Much progress

- The independent wealth sector - comprising External Asset Managers (EAMs), Multi-Family Offices (MFOs), Single-Family Offices (SFOs) and the larger Independent Financial advisors (IFAs) - has grown apace and with considerable dynamism over the past 15-20 years in Asia's fast-expanding private wealth markets, especially in Singapore and Hong Kong. The Association of Independent Wealth Managers (Singapore) (AIWM) represents over 80 active member firms, highlighting the sector's substantial presence and influence in Singapore's wealth management landscape

More potential

- However, while the independent wealth management (IWM) sector in Singapore (as well as in Hong Kong) has enjoyed significant growth at all levels – clients, AUM and profitability – penetration still lags behind more established regions such as Europe and the US. For instance, boutique firms in Switzerland manage an estimated 30% of assets, compared to a modest 10% or perhaps less in Asia.

Great support from on high

- And it is not for lack of institutional or national-level support. Singapore's independent wealth market has certainly enjoyed robust support from the regulators, the government and key policy institutions, including significant liberalisation to attract more wealth to their shores, particularly in the form of HNWIs, UHNWIs and uber-wealthy families seeking to establish family offices, and even move some or all of their family members to Singapore.

A diversifying landscape

- Indeed, there has been a proliferation of SFOs, and more and more of the EAMs are now setting out their stall (or even redefining themselves) as MFOs in order to attract family clients whose often very significant wealth does not fully justify the costs and complexities of navigating the go-it-alone SFO route.

SURVEY FINDINGS & COMMENTARY

The survey reveals encouragingly optimistic growth expectations as well as strong current performance.

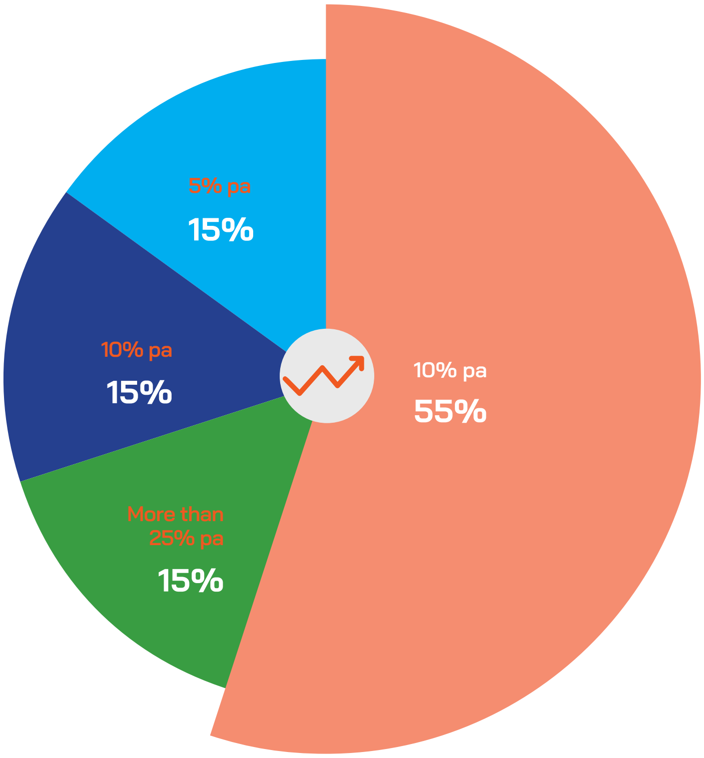
An emphatic **85% of replies** indicated growth of 10% to 25% annually through 2030.

Of these replies, a striking 30% forecast growth rates between 15% to over 25% annually from now until 2030, and another 55% of respondents anticipate a 10% annual AUM growth rate from 2024 to 2030. An additional 15% expect a 5% growth rate.

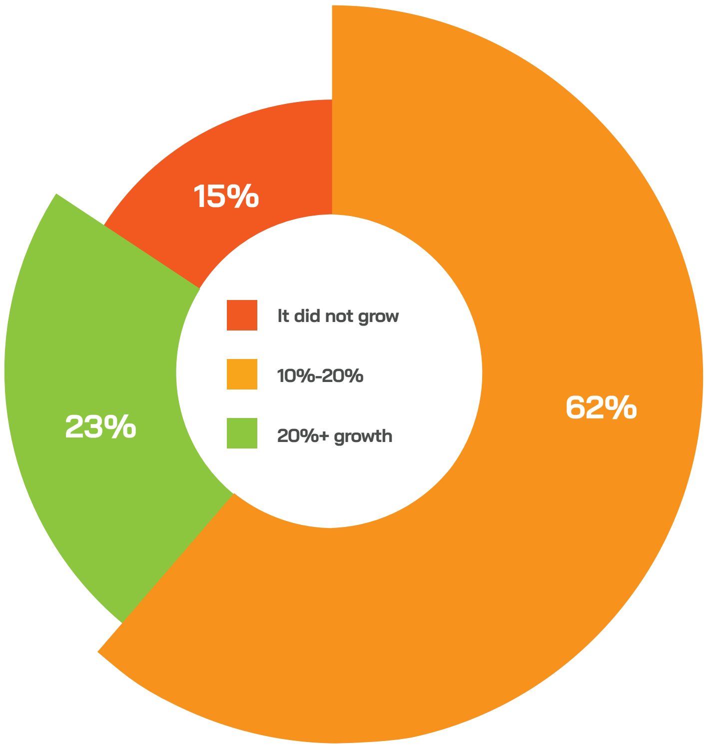
We also discovered that since early 2023, **85% of businesses polled** reported robust growth, with 62% experiencing growth rates of 10%-20% and 23% exceeding 20%.

These insights underscore the sector's confidence and the positive trajectory amid Singapore's evolving financial landscape and despite a variety of challenges also highlighted in the survey.

What level of annual AUM growth do you think the overall Independent Wealth Management sector will achieve in Singapore from 2024 to 2030?



At what sort of rate has your business grown its AUM and/or profitability since early 2023?



Grasping the opportunity

- The potential in the market is undeniable – Asia's growth story continues, and more HNW and UHNW wealth continues to pour into the region, especially through wealth hubs such as Singapore. But the potential is one thing, and grasping it is another matter entirely; independent firms must maintain a focused vision of their goals and plot a strategic path for their businesses, teams, and clients.
- By doing so, the collective wisdom is that this approach will enable them to mirror the success of their counterparts and peers in mature markets, such as Switzerland. The timing and market demand are perfect for Asia's IWM sector, but the challenge, therefore, lies in adopting a model that captures a larger share of the region's growing asset under management (AUM).

Generation games

- Longer-established independent players have generally catered to a more traditional, often older clientele. However, the sands of time and the evolving landscape mean that more and more wealth is moving to the hands of Asia's next and younger generations, many of whom are themselves creators of the new wave of economic momentum and private wealth expansion. It is not only the clients' money that needs managing – as all this transpires, there is rising demand for estate & legacy planning and structuring advisory for those who hold the wealth, as well as new strategies to connect to the next and younger generations.

Quality and integrity required

- The IWM sector needs to engage any and all clients by offering top-flight service, integrity and trust, a diversified range of easy-to-access products, optimised advice and then execution, end-to-end personalisation and service, well-devised multi-channel digital connectivity, and the best possible digital solutions and tools for staff and clients alike.
- At the same time, they need to manage the rising costs of operating a business in Singapore, overcome the mounting challenges around compliance, and work hard to hire and then retain top-quality, experienced relationship manager and advisor talent, which is increasingly difficult these days.

Addressing evolving investment needs

- On the core investment management front, the independents have been broadening their scope and expertise to include not only the mainstream public markets but also more and more allocation to private and alternative assets. They have also been pushing hard to improve penetration into discretionary and advisory investment mandates, which they believe offer clients better outcomes than the DIY approach and offer the firms more predictable revenue streams.

Digital transformation

- And what role will digital tools play in enhancing operational efficiency, improving relationship manager/advisor productivity, and streamlining onboarding/KYC/AML and other processes through to portfolio consolidation and reporting? Are digital assets an area where the independents will make particular headway, or does caution still prevail?

The talent wars

- The findings highlighted some key attributes of the client-facing experts deemed essential for success in this field, namely a blend of expertise, client focus, and entrepreneurial spirit, indicating a nuanced understanding of what it takes to effectively serve HNW and UHNW clients in a competitive and evolving market.
- But the findings also highlight that while there is optimism about growth, talent acquisition and retention emerge as critical hurdles. The industry recognises the need for a strategic focus on training and developing new talent to sustain its growth trajectory.
- The movement of RMs from private banks to EAMs/MFOs might, to some degree, reflect a broader industry shift towards more client-aligned, flexible, and autonomous wealth management practices. But can the independents offer enough stability and sufficient appeal to extract more RMs and advisors from the safe halls of the banks? That question remains unanswered.

Scale and consolidation?

- With all these opportunities and also the many challenges the industry faces, there is a groundswell of opinion that there will be more strategic partnerships or outright M&A consolidation in the future, as more established or better-performing firms absorb smaller, more niche operators, some of which will likely increasingly struggle with the administrative, technological and cost aspects of continuing to do business on their own. The quest for scale is therefore increasingly on the radar, bringing with it the ability to manage costs and attract talent, as well as grater negotiating power with the private banks, the external investment platforms, the digital solutions vendors, and others.
- As we head towards the April 17 event, we invite you to read this snapshot of an exciting market becoming increasingly diverse, dynamic and also challenging.

GREAT OPPORTUNITY AHEAD

The growth opportunities for the independent wealth management sector in Singapore in the coming years are significant, diverse and multifaceted, reflecting the dynamic nature of the wealth services industry and the unique position of Singapore as a global financial hub. In no particular order, our respondents pointed to a number of strategic areas for growth.

Attracting discontented clients from private banks with the differentiated independent offering. There is a significant opportunity to attract clients who are dissatisfied with the costs and service levels of traditional private banks, suggesting that independent wealth managers can differentiate themselves by offering better value, better levels of service and a more personalised, trusted advisor approach.

Expansion of the Family Office ecosystem. Singapore's status as a safe haven is expected to continue attracting more UHNW family office wealth to its shores, with funds flowing from within Asia, especially China, and from across the globe, attracted by the diverse financial and professional advisory offering, geopolitical stability, a welcoming set of government initiatives, and a favourable regulatory environment.

More broadly, geopolitical risks and shifts are driving more HNW private wealth into Singapore, providing a rich and deepening pool of potential clients for independent wealth managers.

More innovative use of technology is taking place to enhance personalisation, boost the client experience, reduce operational costs, help make RMs more productive and efficient, as well as to promote products and services that leverage AI and other digital tools to uncover investment opportunities and optimise outcomes.

Singapore's status as an independent financial hub, its regulatory framework, and its role as a test bed for venture capital and private equity firms, especially within the ESG and sustainability space, present opportunities for growth.

There is an increasing thrust towards discretionary and advisory-led investment management as clients look for alternatives to managing their own investments in more volatile global conditions and as more of them become dissatisfied with private banks.

Singapore has been shaping its regulatory environment to become a leading global hub for digital assets. A revolution is underway, and independent wealth managers have a large, growing and diverse digital assets ecosystem to leverage business growth in this dynamic segment of the global markets.

THE SEARCH FOR DIFFERENTIATION: RE-EVALUATING BUSINESS MODELS AND VALUE PROPOSITIONS IN THE INDEPENDENT WEALTH SECTOR

The independent wealth management sector is at a juncture where redefining business models to articulate value propositions clearly is imperative. This involves distinguishing between fee-only advisory services and those generating revenues purely from transactions, ensuring that clients fully understand the benefits and services provided. This re-evaluation addresses clients' evolving needs and preferences, ensuring that wealth management services remain relevant, client-focused, and aligned with ethical standards.

Transparency is vital

Therefore, a strong emphasis on fee transparency is vital, with a growing preference for clear, fee-only advice models over those with hidden charges. Establishing clear distinctions in services offered and reinforcing a client-centric approach are highlighted as vital for securing client trust and loyalty, especially in the face of potential market downturns.

For wealth management firms in Singapore aiming to increase market penetration, respondents highlighted how they need a clear proposition to present to clients. Their strategies and models need to align with changing client expectations as well as increasingly demanding regulatory frameworks.

Client Alignment

Stability in client relationships, openness to cultural diversity, and alignment of economic interests with those of clients are underscored as critical for cultivating trust and ensuring the longevity of client engagements. Firms are called upon to demonstrate their commitment to ethical practices, business continuity, and the effectiveness of their investment strategies as foundations for building client confidence.

Addressing evolving investment needs

The evolving landscape of wealth management is marked by notable shifts in investment preferences and the delivery of advisory services. There is a clear movement towards diversification in investment portfolios, with a significant interest in alternative assets such as market-neutral strategies, infrastructure funds, litigation financing, and private credit.

Concurrently, traditional investment vehicles like fixed-income products and private market investments are witnessing a revival, indicating a balanced mix of innovation and tradition in investment strategies.

Digital assets are emerging as a focal point, especially among the younger demographic groups like Millennials and Generation Z. This trend is driving wealth management firms to adapt their communication strategies, positioning, and offerings to align with the digital preferences and financial behaviour of these generations. Additionally, there is a noticeable preference for Discretionary Portfolio Management (DPM) over traditional advisory services, signalling a shift towards a more hands-off management style desired by clients.

The need for innovation

Technological adoption is a key factor for operational efficiency and cost reduction. Wealth management firms are encouraged to leverage technology not only to streamline processes but also to foster a transparent, ethical business model that prioritises client interests. This includes using technology to help move away from revenue models heavily reliant on transaction markups towards more client-aligned, transparent fee structures by enhancing integration across platforms to improve client reporting and provide a unified investment overview, all seen as critical for enriching the client experience while elevating the expertise on offer.

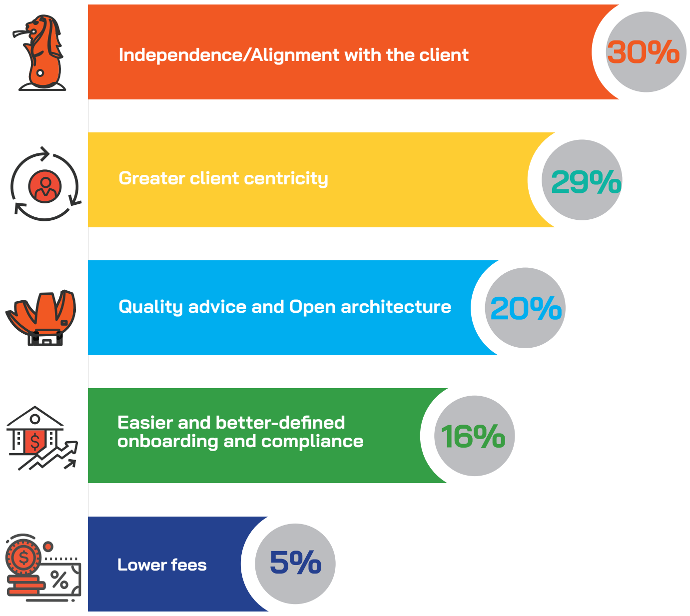
KEY CHARACTERISTICS REQUIRED

The survey highlights key attributes that set Singapore's independent wealth management firms apart, particularly for HNW and UHNW clients, compared to larger banking institutions.

78% of replies highlighted the importance of independence, client-centricity, open architecture and high-quality, objective advice.

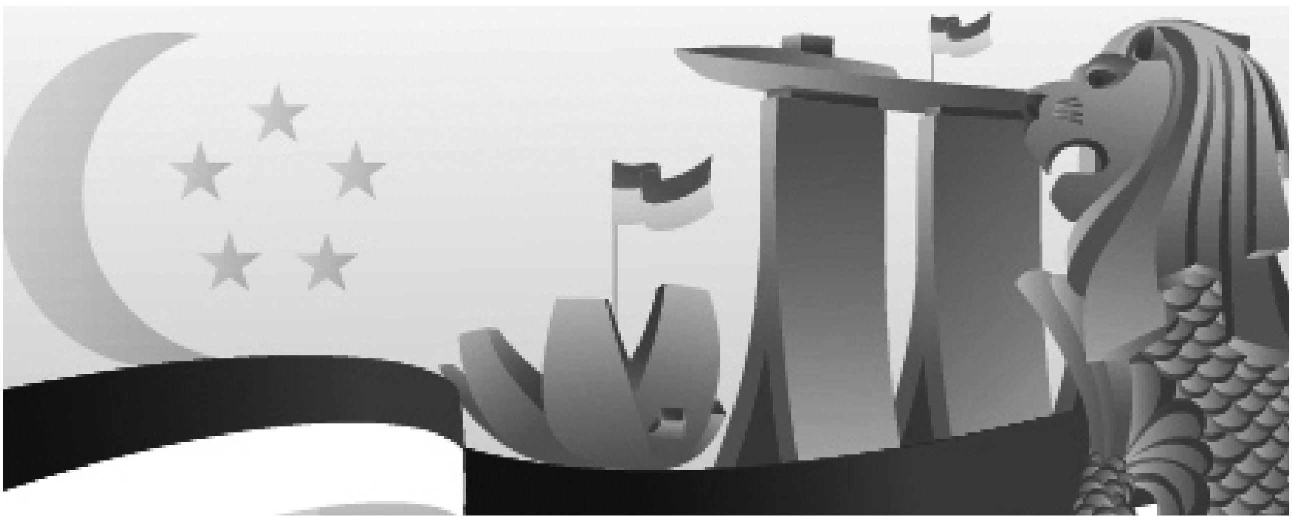
Independence (30%) tops the list, and Client-Centricity at 29% is similar in many ways although hinting more at greater efforts towards personalisation and tailored tools and services, as well as greater RM/advisor personal attention for HNWIs and UHNW individuals. Very much part and parcel of all this, high-quality Advice and Open Architecture (20%) are commended as essentials, allowing clients to access objective, non-biased advice and to a wide range of non-proprietary investment product opportunities, enabling more personalised investment solutions.

What attributes make Singapore's independent wealth firms appealing and valuable for HNW and UHNW private clients (especially compared with the global and international private banks)?



While Streamlined Onboarding and Compliance (16%) to deliver simpler and more efficient processes compared with the often-cumbersome procedures at larger institutions are clearly important, clients are not generally seeking out the independents to obtain lower fees, although more transparency around fees was cited as very valuable.

These factors collectively reinforce the key factors that are valued in terms of the competitive edge of Singapore's independent wealth management sector, helping them attract and retain discerning clients by prioritising their needs, offering bespoke solutions, and enhancing their overall experience.



KEY CONSIDERATIONS WHEN ESTABLISHING AN EAM OR MFO

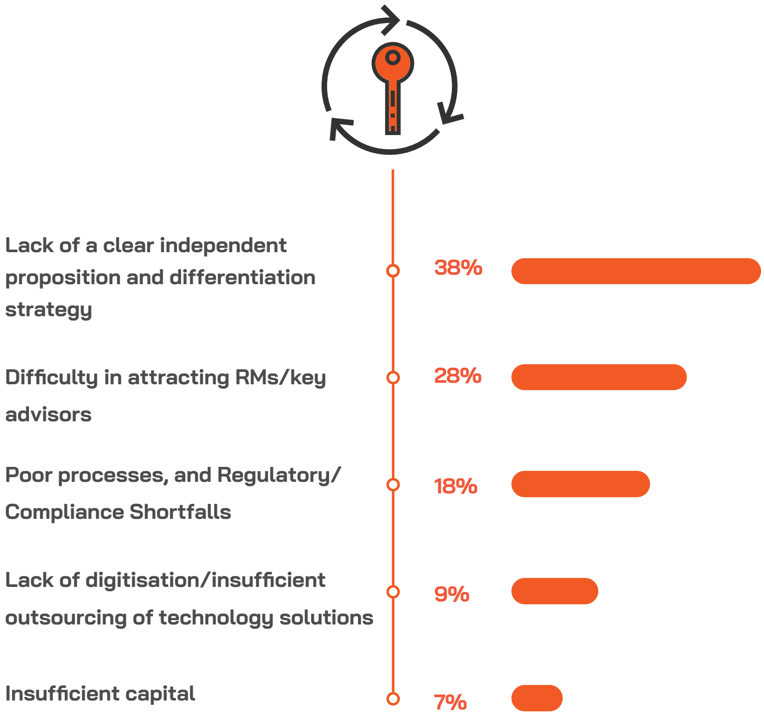
Lack of a clear independent proposition and **differentiation strategy (38%)**: This is the most significant challenge, emphasising the need for firms to clearly articulate their unique value proposition to stand out in a competitive market.

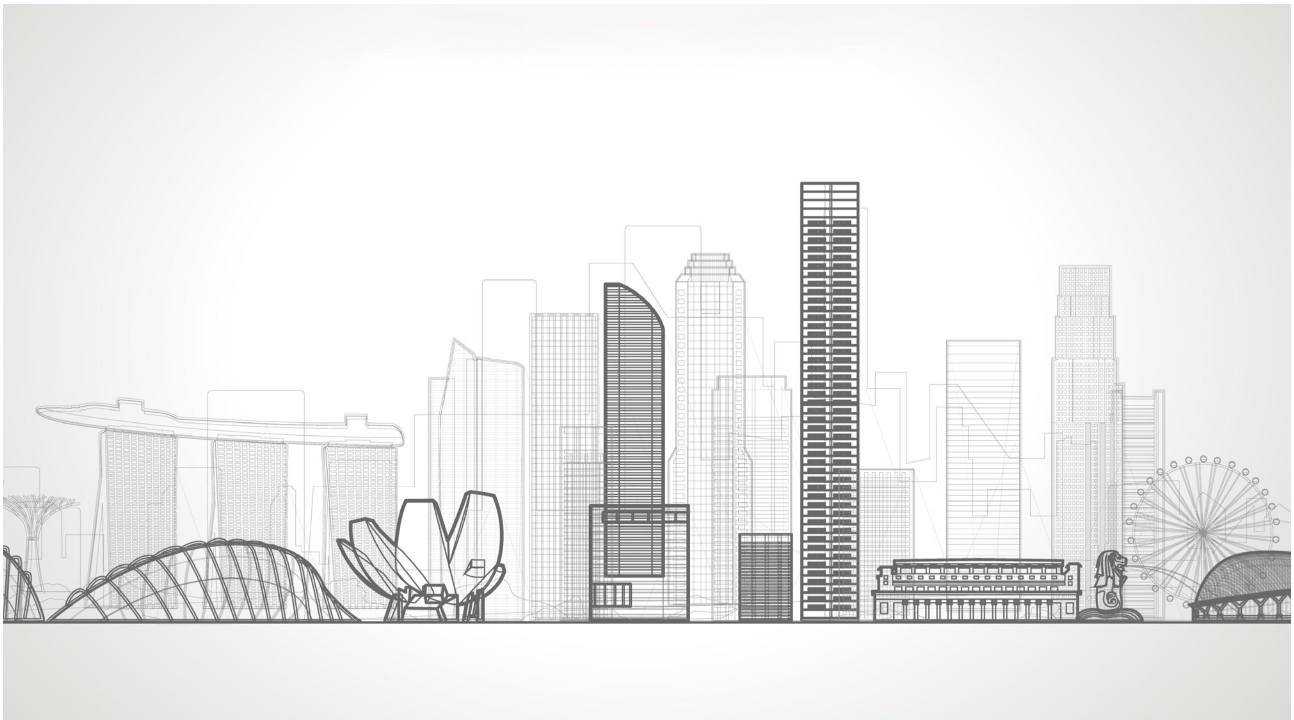
Difficulty in attracting **RMs/key advisors (28%)** reinforces the findings in our quest for talent survey questions.

Poor processes and Regulatory/ Compliance Shortfalls (18%): Firms must prioritise robust processes and adhere to regulatory and compliance standards to avoid potential legal and operational risks.

Lack of digitisation/insufficient outsourcing of technology solutions at 9% is ont apparently such a major issue, nor too the provision of the funding crucial for sustainable growth and operations.

What are the key pitfalls for independent wealth firms to avoid when building their business?





DIGITAL TRANSFORMATION: A KEY PILLAR IN THE INDEPENDENT OFFERING

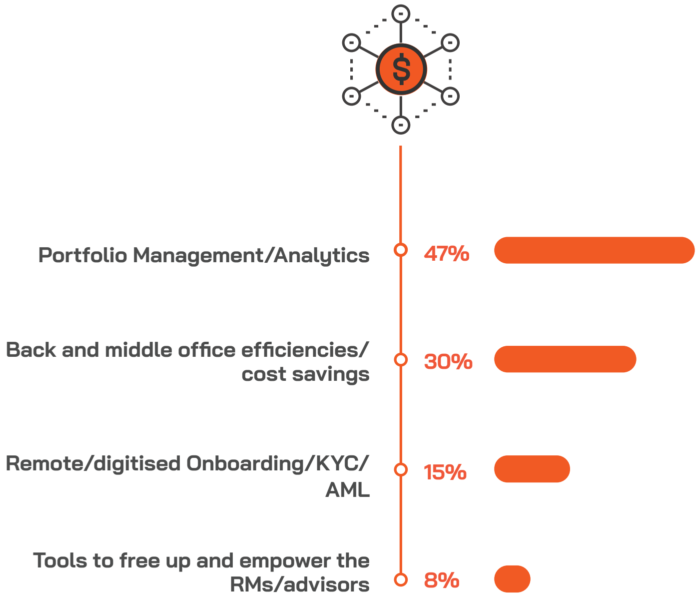
The survey highlights the digital investment priorities for Singapore's independent wealth management firms, emphasising the need for technological enhancements across various operational areas:

Portfolio Management/Analytics (47%): This area is the top priority, underscoring the importance of advanced analytics and personalised investment strategies in driving client satisfaction and outcomes.

Back and Middle Office Efficiencies/ Cost Savings (30%): Streamlining operations to improve efficiency and reduce costs is a critical need, reflecting the potential for automation and technology to enhance service delivery.

Remote/Digitised Onboarding/KYC/AML (15%): Simplifying client onboarding and compliance processes through digital solutions is crucial for enhancing client experience and meeting regulatory requirements efficiently.

The digitisation of wealth management continues apace. Rank which key areas the independents need to invest in and improve upon.



Tools to Free Up and Empower the RMs/Advisors (8%): Although ranked lowest, the investment in tools that automate routine tasks and provide deeper insights is recognised as important for enabling RMs and advisors to focus more on strategic client engagement and to free them from mundane administrative tasks, as well as to help them with their CRM and client engagement and idea prompts.

Aligning these findings, it is clear that the digitisation journey for Singapore's independent wealth management sector is focused on leveraging technology to enhance investment decision-making, operational efficiency, and client engagement. The prioritisation of portfolio management and analytics reflects a strategic emphasis on core investment management competencies that directly impact client satisfaction and financial performance.

Meanwhile, the drive towards back and middle office efficiencies highlights a broader industry trend towards cost optimisation and service enhancement. And the investment in digital onboarding and compliance processes indicates a commitment to streamlining client acquisition and maintaining rigorous compliance standards in a more efficient manner.

Although tools for RMs and advisors are ranked lowest, the need to empower these professionals with technology underscores the industry's recognition of their critical role in delivering personalised, high-quality advice.

Overall, these investment priorities suggest a broad-based and balanced approach to digitisation, aiming to strengthen both the client-facing and operational aspects of the independent wealth management business.

IDENTIFYING AND OVERCOMING THE KEY CHALLENGES

Knowing what challenges lie ahead is more than half the battle in overcoming them. The challenges facing the independent wealth management industry in Singapore are varied and substantial, reflecting both global trends and local market dynamics. Here are just some of the key challenges ahead:

Tightening of KYC & AML Frameworks: There's a significant focus on strengthening AML procedures, which includes enhancing know-your-client (KYC) processes and compliance requirements. However, these measures also increase the administrative burden on wealth managers and their clients.

Regulatory Challenges: The industry is grappling with regulatory overreach, including stringent US and European tax regimes that complicate the operating environment for wealth managers.

Quality and Shortage of Talent: There's a noted lack of skilled RM and advisory as well as compliance talent, which could limit the industry's capacity to serve an expanding client base effectively.

Increased Regulatory Requirements: There has been an uptick in regulatory requirements, adding complexity to an already fiercely competitive market.

Increased Regulatory Scrutiny: Following a money laundering scandal in 2023, there has been heightened scrutiny by the Monetary Authority of Singapore (MAS), particularly around the compliance and quality of family office setups. This has implications for setup costs and growth within the sector.

Competition in a Highly Regulated Industry: The wealth management industry faces intense competition within a regulatory framework that is becoming increasingly complex and restrictive.

Economic Downturns: Replies pointed to concerns about a massive global recession predicted to start around 2025 and extend into 2029, which could severely impact wealth managers, especially those who are not nimble or flexible enough to navigate the downturn.

Increased Specialization and Product Complexity: There is a clear trend towards greater diversification and specialisation in wealth management products – for example, more specialised products, more alternative, private and even digital assets within portfolios. This means more challenges around talent, expertise and even due diligence and compliance.

Fear and Uncertainty Towards Digital Assets: The industry shows hesitancy towards embracing digital assets, compounded by a shortage of skilled professionals knowledgeable in this area.

Increased Use of Social Media for Sourcing Investment Ideas: The use of social media for obtaining investment advice and client engagement has significantly increased, pointing towards changing communication channels and presenting new challenges to the thrust to discretionary and advisory mandates.

Market Saturation and Profit Margin Pressures: As the financial ecosystem in Singapore becomes more saturated and mature, fees might become increasingly pressured, operational costs could escalate further, profit margins may be squeezed, and service providers might face the need to consider M&A/ consolidation to address the need for scale and efficiency in a highly competitive environment.

Positive Real Interest Rates: The shift to positive real interest rates has impacted investment strategies and the overall market dynamics.

Preference for Beta over Alpha: There is continued adoption of beta products like ETFs and trackers, moving away from over-priced and underperforming alpha strategies. This reflects a preference for passive investment strategies that track market indexes. Fees related to beta products are lower. As the independents favour a transparent fee model, these lower commissions might often need to be reflected in lower overall advisory fees.

Need for Frequent Updates and Skilled Advisory: The volatile market and changing global landscape necessitate more frequent updates and a more skilled, creative approach to fact-finding and portfolio management.

Focus on Performance and Liquidity: Performance remains a critical concern, especially during market turbulence, presenting more challenges to advisors to manage client expectations.

Educational and Mindset Barriers: There is an evident need for more practical financial education, helping to bring a shift away from traditional mindsets and outdated approaches to investments and a wariness of new methodologies.

Acceleration of AI and Digital Transformation: This is both an opportunity and a threat. The adoption of artificial intelligence and digital transformation strategies must accelerate, highlighting the sector's need to move towards more technologically driven services and embrace the future. Some firms resist this or simply pay lip service to it. Those who embrace this are better positioned to stay on top of their games.

Technological Adaptation: independent firms do not have the huge financial resources of the banks, meaning it is tougher to keep up with the technological advancements required to stay competitive.

The Great Inter-Generational Wealth Transfer: wealth is shifting from Asia's older generations to the next and younger generations, meaning a greater need for estate and legacy planning and a greater focus on engaging with and holding into the next and younger generations of clients.

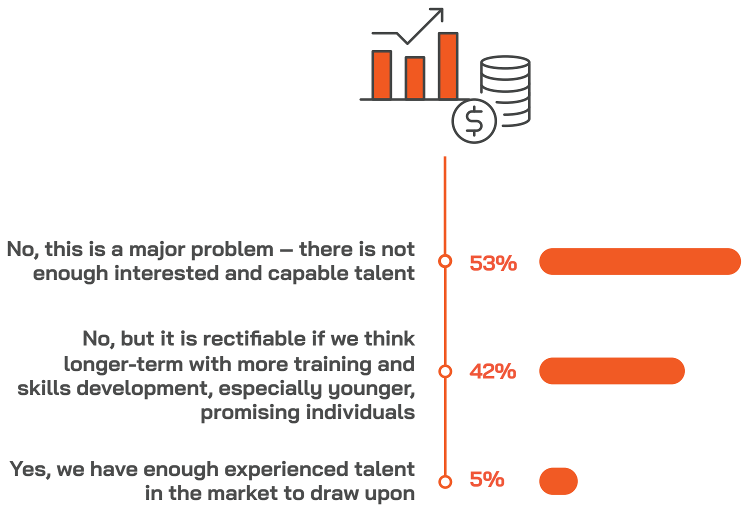
Scepticism Towards the ESG Industry: There's growing scepticism towards the Environmental, Social, and Governance (ESG) industry, with concerns about its authenticity and impact.

TALENT WARS

The survey responses offer critical insights into the challenges in hiring and retaining talent. **Most respondents (53%)** view the scarcity of experienced, interested and capable talent as a major problem for the independent wealth industry, indicating that the current talent pool may not suffice to meet the sector's growth potential. Meanwhile, a shockingly low 5% of replies indicated that the current market has enough experienced talent to draw upon, underscoring a truly widespread concern about talent shortages.

However, not all is lost - **a significant group (42%)** believes this challenge is rectifiable through long-term strategies, such as enhanced training and skills development for younger, promising individuals. This suggests an acknowledgement within the industry that while talent shortages are a pressing issue, they can be addressed with focused investment in human capital by focusing on training and development.

Can the independent wealth industry in Singapore hire and retain the talent required to match the growth potential ahead, or is this a major impediment to fulfilling growth expectations?

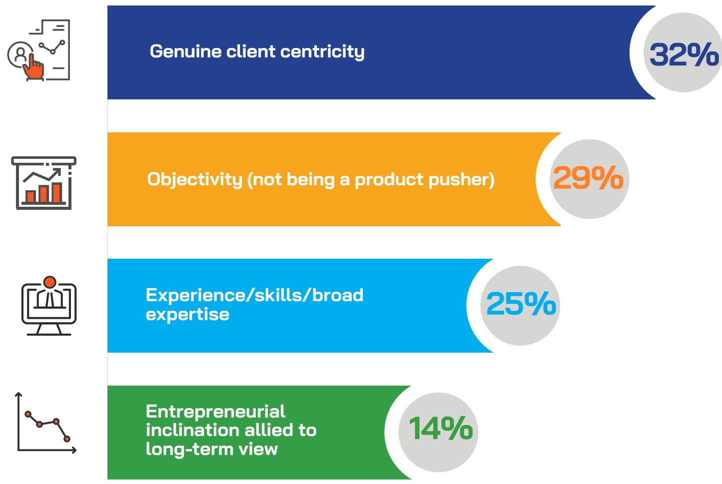


KEY SKILLS & ATTRIBUTES OF CLIENT-FACING EXPERTS

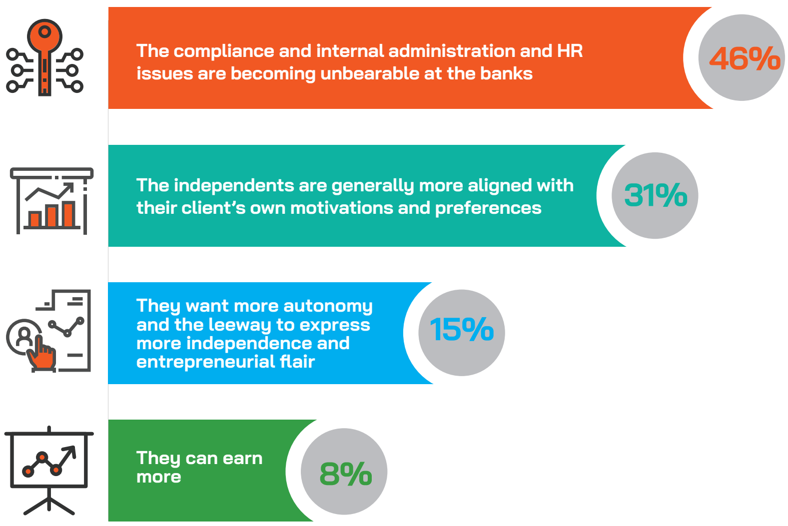
It is vital to know who you want to hire, and why. Regarding the key attributes for success in managing HNW and UHNW clients, genuine client centricity **(32%)** tops the list, followed by objectivity and the long-term perspective at 29%, then expertise at 25%.

These results underscore the importance of not only having a deep and broad understanding of wealth management but also prioritising the delivery of true expertise and addressing the client's needs while maintaining impartiality in advisory. A noteworthy 15% of replies highlight the value of an entrepreneurial inclination, a key element the independents stress when hiring new talent.

What are the key attributes that you think make an individual EAM/MFO Relationship Manager successful with HNW and UHNW private clients?



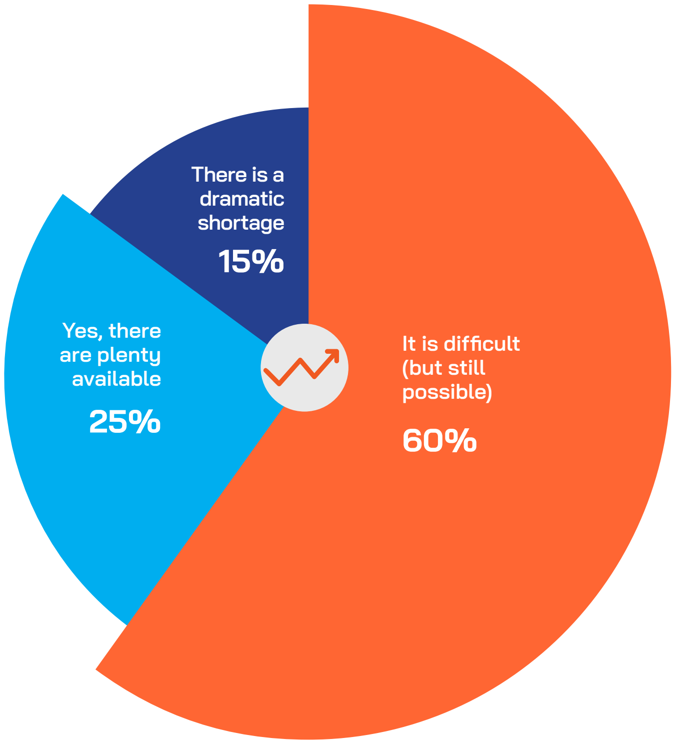
Why do RMs leave a private bank and join an EAM or MFO?



The survey also sheds some light on why RM and client-facing advisors leave private banks for the independents. **A significant 46%** cite the burdens of compliance, internal administration, and HR issues at banks as their main reason for leaving. This is followed by 31% who move because they find independents more aligned with their client's motivations and preferences, indicating a desire for a more client-centred approach. Additionally, 15% seek more autonomy and the opportunity to express independence and entrepreneurial flair, while only 8% are motivated by the potential for higher earnings.

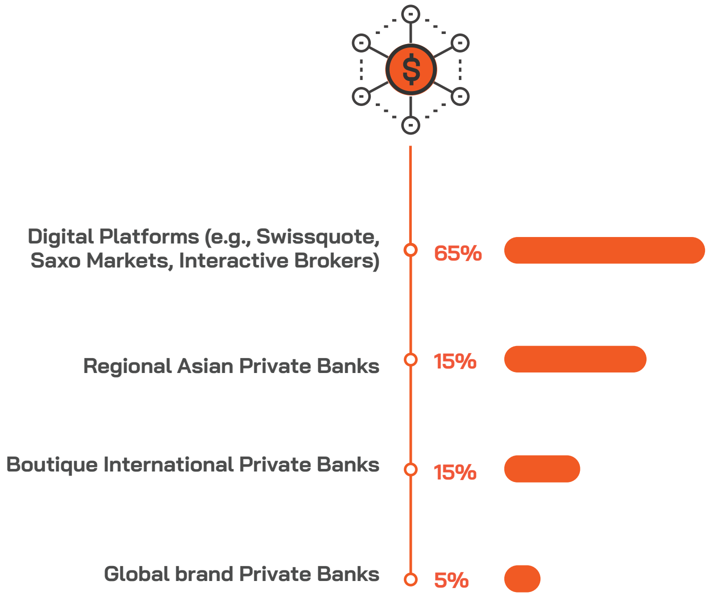
Finally, there appears to be a significant shortage of compliance professionals, but the replies indicate this is less of a critical issue than they face in hiring and retaining client-facing experts.

Are there enough skilled and experienced compliance specialists which the independent firms can hire?



WHO SHOULD YOU (OR MUST YOU) WORK WITH?

Which types of custodians will be most successful at working with the independent wealth management sector?



Digital platforms (e.g., Swissquote, Saxo Markets, Interactive Brokers) are projected to be the most successful custodians for the independent wealth management sector, with 65% of respondents favouring them. This is followed by boutique international private banks (15%) and regional Asian private banks at 15%, while global brand private banks at 5% are clearly not in favour. The strong preference for digital platforms highlights the value placed on technology, accessibility, and flexibility in the sector.

However, the results are to some extent wishful thinking, as the independent model is effectively one of outsourced private banking, with the client very often asking for their private banking accounts to remain in place and for the EAMs and MFOs to manage their money, but interface with those banks for a lot of execution and of course safe custody. This is gradually changing as more clients switch to external digital platforms, but the banks still hold a significant position. The boutique international and the regional private banks have at the same time been working hard to improve and promote their EAM desks to better serve the independents and share in their growth momentum.

The Final Word

The Hubbis Pre-Event 'Taster' Survey sets the stage for the 2024 Hubbis Independent Wealth Management Forum in Singapore, showcasing the sector's dynamic growth and identifying key areas of opportunity and challenge. The survey underscores the sector's significant expansion and potential in Asia, particularly in Singapore, while noting its current under-penetration compared to mature markets such as Switzerland.

It highlights the strong institutional support bolstering Singapore's status as a premier wealth hub, the strategic shift towards digitalisation and personalised service in wealth management, and the critical role of technological innovation in shaping future growth. The diversification of the investment offering and the elevation of the advisory proposition are both challenges and opportunities as private clients become more globally and asset-diverse.

Opportunities for growth are ripe, especially in attracting clients from traditional banks, working with the expanding family office ecosystem, and navigating the evolving landscape of investment management towards more discretionary and advisory-led approaches. Yet, the sector faces challenges, notably in talent acquisition and retention, differentiating in a competitive market, and aligning business models with changing client expectations and regulatory demands.

The survey reveals optimism for robust AUM growth and points to digital transformation and strategic partnerships or M&A as pivotal for scale and efficiency. As Singapore's independent wealth management sector prepares for the Forum, these insights offer a glimpse into a market at the cusp of significant transformation, driven by innovation, client-centric strategies, and a forward-looking approach to wealth management.
We hope this 'taster' survey has highlighted some of the key opportunities, themes and challenges in the independent wealth market in Singapore. Many of these topics - and more besides - will be discussed at the April 17 Forum. Please join us then. ■

To register: CLICK HERE