

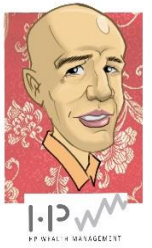
# the Insider

HP WEALTH MANAGEMENT NEWSLETTER



Issue 5 – December 2016

## Winds of Change



The year is coming to a close, and it's probably fair to say that it is a year we won't forget so quickly. Reference is of course not made to the very unfortunate defeat of the French football team at the EURO 2016 against Portugal, or the fact that

Andy Murray finally has become the World's Number 1 in tennis. It will be remembered for two events which will shape the years to come: Brexit and the US presidential elections. While both outcomes were unexpected, the consequences remain unknown. What we can say at this point is that both developments seem to go in the wrong direction, i.e. towards more protectionism and less trade. While globalization is not perfect, it has helped hundreds of millions of people to get out of poverty. The challenge is and remains to make sure that the benefits of globalization and trade are shared on a more equitable basis. The year 2016 sets the stage for an interesting year 2017, with elections in Holland, France and Germany. The winds of change are blowing; at the moment they look more like headwind to the financial markets, so we expect rather difficult markets in the next couple of years.

We take this opportunity to thank all our business partners for the trust they placed in us. We are now seven years "old", and feel that the steady growth of our company validates our business model: we are fiercely independent and align our interest with that of the client.

My colleagues join me in wishing you all the very best for the festive season and a great start into 2017.

**Urs Brutsch**  
Managing Partner  
HP Wealth Management (S) Pte Ltd

PS: as in previous years we will not send out any Christmas cards. Instead, we make a donation to the following charity:  
<https://www.justgiving.com/crowdfunding/zamba-woodartcentre>

<http://www.zambawood.com>

## EY Survey 2016 : "The Experience Factor" in Wealth



Ernst and Young surveyed 2,000 clients and 60 wealth management executives globally in an effort to find out if Wealth Managers are investing in the things that clients care about.

### 3 themes emerged:

- 1) Transparency: clients overwhelmingly identified transparency of portfolio performance and fees as the top driver of trust.
- 2) Digital channels: clients consider digital to be a primary channel for both advice and service
- 3) Role of wealth advisor must change: Historically, wealth advisors have been the rock that keeps clients steady through market turbulence and personal life changes. Yet, some clients are questioning the value of this role and relationship.

### Where does HP Wealth Management stand in this context?

The very existence of our company is the firm belief that the financial industry lacks transparency. We are pleased to be at the forefront of client expectations as our remuneration is entirely transparent, fees contractually agreed "black and white" and simple. We see commission based remuneration models opening the door to conflicts of interest, lack of objectivity in advice, favouring trading and hidden fees. As for performance report, besides the bank's statement, we provide state of the art HP Wealth Management reporting with full details on performance (typically more than what the bank statement shows!)

Having assets custodised with leading banks (and not with us), our clients fully benefit from the advance in digitalisation of our partners. Our experience however shows that they key "digital" requirement from our clients is to have an efficient ibanking platform for "retail" type of services. For providing advice, email, phone and face to face meeting remain the major channels of communication. And we don't intend to deviate from that ! We are not "Robotic Minds!" The movie "HER" of Spike Jonze might recalibrate the view that Fintech, Artificial Intelligence, Robo Advisor is the ultimate solution .

Relationship is key. People need to talk. Surprisingly, wealthy people have a limited circle of "trusted" persons. The more wealth, the smaller the circle ! The role of the advisor has changed due to the complexity of not only Finance

but Compliance and the Tax environment - but our credo is to remain Human in our approach and dealings with our clients. Trust is our KEY to success.

### Stuck between a rock and a hard place

Urs Brutsch recently participated in a panel discussion at the Hubbis Wealth Think event in Singapore. The panel discussed the difficulties of the Private Banks in the current environment, where compliance with increased regulatory burdens becomes increasingly difficult (and expensive). Coupled with the fact that clients are trading less, the traditional model of the Private Banks no longer works, i.e. the cost/income ratio of most industry players is close to or above 100%. That explains the recent flurry of banks leaving Singapore, either as a result of regulatory enforcement action or lack of scale (BSI, Falcon, Societe Generale, Coutts, Barclays, DZ). The list of providers will continue to shrink, which will open up tremendous opportunities for small and independent firms.

We continue to believe that the only honest way to advise a client is when the only source of revenue is your client. Until and unless the industry can make that paradigm shift away from a transaction-led model clients will rightly feel that they are not getting the best from the Private Banks. The temptation to sell products that a client does not need is simply too much when your compensation is structured in a way that encourages the generation of (unnecessary) revenues. We hear often that banks are moving away from the traditional model to a fee-based model, but for the time being this is NATO (No action, talk only)



## Featuring Patricia Goh, our compliance officer.



### Please tell us more about yourself.

I was in Private Banking Relationship Management for 20 over years; Credit Suisse being the longest amongst the few private banks I was with.

### What do you enjoy most about your job?

My job allows me to see the “bigger picture” of things, and to analyse the possible impact of regulatory changes which allows me to plan ahead and to manage the implementation of new regulations and always be in the know of MAS intentions.

### How did you join HP Wealth Management?

I wanted to return to the banking industry after being away for a couple of years. Incidentally, Catherine, who was also my former colleague at Clariden Leu contacted me. Thinking back, joining HP Wealth Management was an excellent decision.

During Q1 2014, I joined HPWM as a contract staff covering Wei Ling who was going on maternity leave. After a couple of months; I was offered the Compliance Officer role since the CO was leaving HPWM after a few years.

### Tell us one interesting fact about yourself.

Since young, I’m an ardent fan of potatoes.

### What is your first impression of HP Wealth Management?

The people here are really warm and we have bonded closely as a knitted family. Our business also provides good value to our clients by drawing upon different sources (custodian banks and independent research house) to derive our own view and strategies to adapt to the changes in market condition and market news.

### Please tell us about how you spend your free time.

My free time revolves around listening to music and going for a walk which helps me to keep a fresh mind and perspective. I am also an occasional movie goer, enjoying a leisure trip to the cinema with my family members.



“The principles of finance and the findings work everywhere, across time and space”

Robert C Merton, PhD, Nobel laureate 1997

We had the opportunity to spend some time with Prof Merton, when he was in Singapore recently. He is working for Dimensional Fund Advisors, a US-based fund manager with a very distinct investment approach. Their strategy is based on academic research going back as far as 100 years (for US markets) and they use a factor-based approach, i.e. build portfolios which extract the highest possible premiums from the combination of factors (Market, company size, relative price and profitability for equities and term and credit for fixed income). We have started to invest in some of these strategies for our clients as we see the value in this very disciplined approach, which is not based on forecast, but rather on applying decades of academic research.



## HPWM’s need for speed



We pitted our inner F1 passion against each other in our annual HPWM family gathering. We crowned our champions in a tightly contested race that bonded us even closer as a family. The great evening was complemented with a nice dinner where we welcomed Rina and Edwin to the team.

HP Wealth Management (S) Pte Ltd (“HPWM”) is an independent wealth management firm founded in 2009 to provide independent and professional investment advice, tailor-made investment management as well as family office services to high net worth individuals and families.

At HPWM, our focus is on managing investments, either on a discretionary or advisory basis. We also work with experts in the fields of trust structures, insurance etc. in order to ensure that our clients or business partners get the best in class.

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