



THE INSIDER

Issue 11 – August 2021

Dear business partners,

When we wrote to you at the end of 2020, we were hopeful that by summer 2021 we would be in a much better position in terms of COVID19. Seven months fast forward, and we are still living with a lot of restrictions. But the silver lining on the horizon is the strong take up in vaccinations – at least in Singapore. Unfortunately, we can only consider to have overcome this health crisis once the whole world has successfully been vaccinated, at least to the tune of 75-80%. And that is still far away.

The recovery of the financial markets continued in the first half of 2021, with equity markets achieving new all-time highs in a number of markets. However, the bond market provided more than enough excitement as it reacted to a spike in inflation, which led to the US 10 year Treasury to jump from 0.90% at the beginning of the year to 1.75% at its peak, before falling back to the 1.30% handle. We expect tailwinds (opening up of economies, GDP growth, corporate earnings, fiscal stimulus) to fight it out with headwinds (inflation expectation, rise in interest rates, COVID19 variants, political tension) over the next six months. As we are writing this, we believe that the tailwinds will remain stronger until the end of this year.

In this issue, I would like to share with you the findings of a recently concluded survey among our clients and prospects. In a nutshell: ESG is here to stay, crypto assets is (not yet) everybody’s cup of tea, and Private Markets are an interesting area to invest in.

We recently launched an Actively Managed Certificate to cover the exciting space of thematic investments. Read Michael’s article in this newsletter.

The first half of the year 2021 was a very busy one for us at HP Wealth Management. We continued to implement our new tool Wize (please refer to Stephane’s update in this letter). At the same time we juggled with varying levels of staff working from home. I speak at the very least for myself when I say that I am very tired of working from home. I can’t wait for the time when we have the majority of our colleagues back in the office. We will definitely allow for some form of working from home, but the default will eventually be working from office.

In this edition we would like to introduce you to Esther Tan, our head of Operations. With her team she is responsible for the smooth running of Wize, so that we can harness the full capabilities of the system.

I look forward when I can wish you again “safe travel” – hopefully for the Christmas season?

With kind regards

Urs Brutsch
Managing Partner & Founder

The Wisdom of Wize

Our new wealth software <https://www.wize.net/> is now over six months old. It was like any new birth: not an easy task but so much gratification when completed !

This work-changing initiative HP Wealth Management opted for brings our clients and us significant added-value:

1. Digitalisation of account opening process, KYC/CRM information, meeting reports, risk controls allowing us to save significant administrative tasks to focus on what matters most to us: the client.
2. Daily and automated data feed with the majority of the Banks – making our system close to “live”
3. A sophisticated portfolio management system with the following non-exhaustive features:

- ✔ Consolidation of bankable and non-bankable assets (such as loans, private equity, real estate, direct investments, paintings or art or jewellery collection etc.)
- ✔ Secure E-Wealth login access to our system “one covers all”
- ✔ Private Equity module with detailed performance calculation and reporting
- ✔ Portfolio management system with performance attribution & risk controlling
- ✔ Benchmark comparison
- ✔ “One page” reporting on demand or “full analytical” wealth reporting

You have 10 banking relationships, real estate in several countries and currencies, mortgage, direct investments, loans, crypto assets, art collection etc. and you want immediate consolidation at all times of all your assets at your finger tip ?

You want to know the impact on your wealth of a significant overnight market movement ?

HP Wealth Management is then your solution – not only thanks to our customized system but also thanks to our experience, processes, own asset management and private equity capabilities making us the “go-to” firm in the fast growing Family Office space.

We even have a DEMO login we would be pleased to present to families considering to establish a Family Office.

Don’t hesitate to engage with us!

Stephane Schmid, Partner



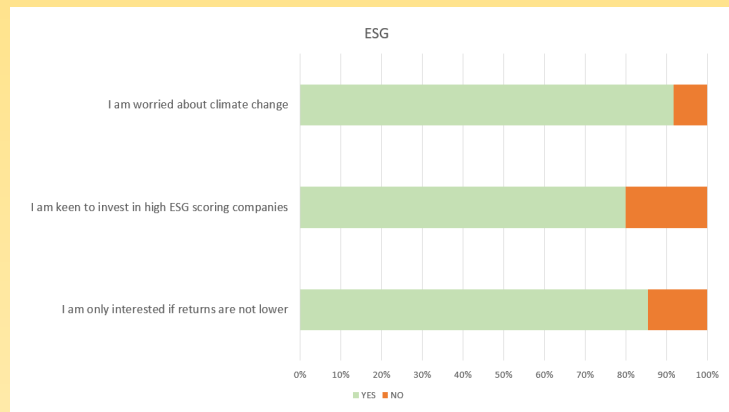
HP Wealth Management on thematic investments

While thematic investing is not a new concept, it is only recently that we have decided to treat thematic investing as a strategic investment. There are a number of reasons for that. First, thematic investing tends to focus on mega drivers such as technological disruption, demographic shifts etc. that are very long term in nature. Second, the approach transcends typical market boundaries of sectors and geography. Third, it is essentially forward looking and relies heavily on assumptions about future addressable markets and new equilibria. Because of all these factors and especially to match its long term nature, we believe thematic investing should by necessity be a strategic allocation into portfolios. To achieve that in a most cost-effective manner as well as to overlay the selection with some risk-based rebalancing, HP Wealth Management has decided to launch the HPWM Global Trends Strategy as an actively managed certificate or AMC. An AMC is a dynamically managed portfolio of equities (but in this case we are using funds) wrapped around a certificate with low trading and administrative fees. Not only that, it also has daily valuation and liquidity. Lastly, an AMC provides investors with diversification benefits as the certificate can invest in more stocks and funds than an individual investor typically could.

Survey on ESG / Crypto / Private Markets

We recently asked a good number of our clients and prospects about their views on the subjects of ESG, Crypto and Private Markets. While we are not pretending that the replies are representative of all our clients, we still believe that the findings are interesting.

ESG



Obviously, there is no debate whether climate change is for real or not, with more than 90% of respondents expressing concern. Also, there is a strong desire to position portfolios in an ESG compliant manner. However, when it comes to investment returns, the appetite for ESG drops considerably. The good news here is that there is no evidence to suggest that portfolios with a high ESG score would underperform those with no restrictions. In fact, a number of studies suggest that ESG compliant portfolios will outperform non-compliant portfolios.

In collaboration with Rockefeller Asset Management and Casey Clark, CFA (MBA '17), the NYU Stern Center for Sustainable Business examined the relationship between ESG and financial performance in more than 1,000 research papers from 2015 – 2020:

Key Investment Trends

HP WEALTH MANAGEMENT

Climate Change

- Greening the World
- Alternative sources of energy and electrification

Emerging Consumer Trends

- Capturing changes in consumer behavior and patterns
- Esports, edutainment, digitalization of consumer choices

Healthcare

- Increasing longevity
- Therapeutics and devices innovation

Infrastructure

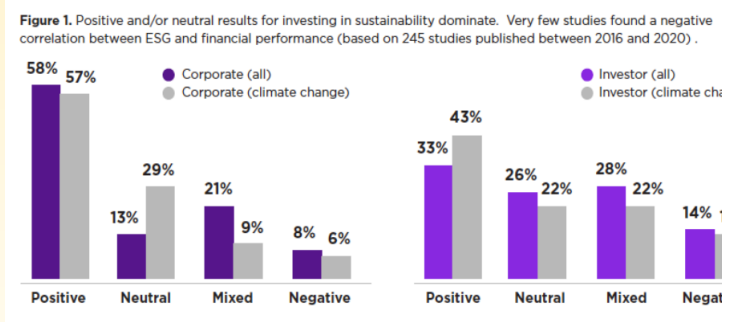
- Rapid urbanization
- Telcom infrastructure and smart city adoption

Technology and Innovation

- Digitalization of services
- Improvements in technology

For Accredited & Professional Investors Use Only

Michael Foo, CIO & Partner





As always with performance comparisons and investment returns, the past does not guarantee that future returns will be similar.

However, the study does suggest that, at worst, investments in ESG compliant strategies should not underperform strategies ignoring ESG criteria.

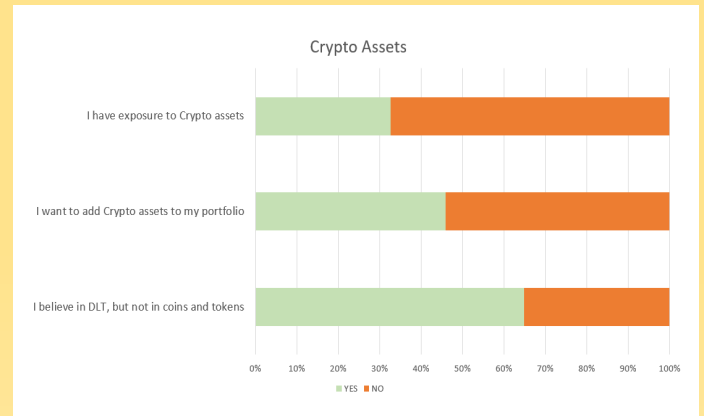
KEY TAKEAWAYS FROM STUDY

- 1. Improved financial performance due to ESG becomes more noticeable over longer time horizons**
We found that our proxy for an implied long-term relationship had a coefficient with a positive sign that is statistically significant. The model suggests that, everything else being constant, a study with an implied long-term focus is 76% more likely to find a positive or neutral result.
- 2. ESG integration as an investment strategy performs better than negative screening approaches**
The sample size of studies on specific portfolio management strategies and asset classes was small, making it challenging to interpret how they would translate into decision-making for an asset manager. The dominant research approach was to find a sample of sustainable funds or indices and compare them to a conventional benchmark.
- 3. ESG investing provides downside protection, especially during a social or economic crisis**
ESG investing appears to provide asymmetric benefits. Investor studies, in particular, seem to demonstrate a strong correlation between lower risk related to sustainability and better financial performance. Recent events have provided unique datasets for researchers.
- 4. Sustainability initiatives at corporations appear to drive better financial performance due to mediating factors such as improved risk management and more innovation**
Sustainability strategies implemented at the corporate level can drive better financial performance through mediating factors—i.e. the sustainability drivers of better financial performance such as more innovation, higher operational efficiency, better risk management, and others, as defined in the Return on Sustainability Investment (ROSI) framework (Atz et al., 2019).
- 5. Studies indicate that managing for a low carbon future improves financial performance**
Research on mitigating climate change through decarbonization strategies is fairly recent, but finds strong evidence for better financial performance for both corporates and investors.

In Singapore, the Monetary Authority of Singapore has issued guidelines on how they expect asset managers to support the journey to net carbon zero. The paper entitled Guidelines on Environmental Risk Management for Asset Managers was published in December 2020 and the industry is now in the process of complying with these guidelines.

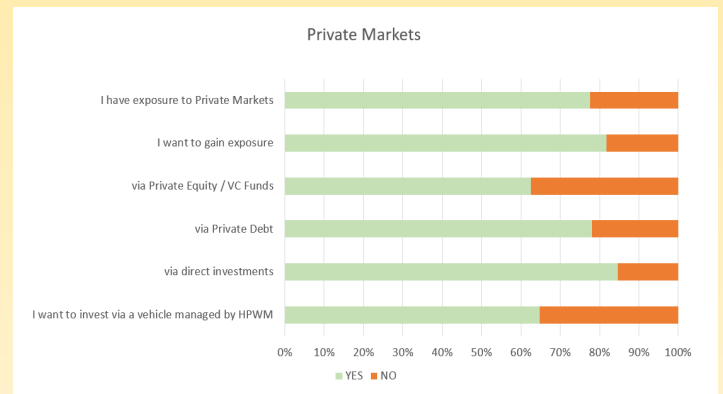
At HPWM, we are currently evaluating how we could integrate ESG ratings into our portfolios. Watch this space for more news.

CRYPTO ASSETS



The opinions in this space are a lot more divided. While about 35% of respondents have some form of exposure, the overall interest is still relatively low. We are constantly monitoring this space, and new investment opportunities are coming up regularly, either through funds, fund of funds or ETFs. However, at this stage we will not deploy capital into crypto assets in our Discretionary Portfolios.

PRIVATE MARKETS



This is perhaps the area where we were most surprised. Almost 80% of respondents already have some form of exposure to Private Markets, and more than 80% are keen to deploy, with the strongest interest expressed for direct investments.

At HPWM we are planning to broaden the offering in Private Markets, so that we can address the needs of our clients. More on this hopefully in the next couple of months...

HP Wealth Management gets sporty



HP Wealth Management supports FC Schaffhausen, a professional football team playing in the second division of Switzerland. It is the club our Managing Partner used to play for and is from his home town of Schaffhausen. In the upcoming campaign the HPWM logo will be prominently displayed on the shorts of the players.



We welcome Ethan Lim, who joined us in February 2021 from Credit Suisse. Ethan is a Senior Relationship Manager.

Meet Esther Tan, Head of Operations



When did you join HPWM and what is your current role?

5 September 2018. Head of Operations

What did you do before joining HPWM?

Private Banking Back Office Operations.

What attracted you to HPWM?

Family oriented culture, work life balance and working for Urs again

What's your personal view on WFH?

Advantage

- Cut down travelling time. (about 2 hours to and fro time saving)
- with time saving, helps to get more work done

Disadvantage

- Work life balance boundaries are compromised
- Not a right environment to have a good Team discussion
- Training of new staff and knowledge sharing is more difficult

Tell us something even your colleagues don't know about you

During the 1st 3 years of my life, I was residing at Singapore state house – Negara Istana.

My dad was in the police force attached to President Yusof Ishak office, thus my family was living in the staff quarters in Istana.

My birth certificate is something special because of the address in it

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 managements well as family office services to high net worth individuals and families. At HPWM, our focus is on managing client’s assets, bankable and non-bankable. We work with experts in the field of finance such as banks and specialised fund managers. We work with a large network in the field of trust, insurance, corporate providers, lawyers in order to ensure that our clients get the best in class.

PUBLISHER
HP WEALTH MANAGEMENT (S) PTE LTD
137 Telok Ayer Street #08-05, Singapore
068602
T: +65 6603 9790 F: +65 66039791
www.hpwm.sg