THE BUSINESS TIMES
WHO'S WHO IN PRIVATE BANKING
2018

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Roundtable participants
- Tan Su Shan, DBS Bank group head of wealth management and consumer banking group
- Ong Yeng Fang, UOB managing director, head of private bank
- Lok Yim, Deutsche Bank, head of wealth management Asia-Pacific and chief country officer Hong Kong
- Alvin Lee, Maybank head of group wealth management and community financial services Singapore
- August Hatecke, UBS global wealth management, head of wealth management, South-east Asia
- Arnaud Tellier, BNP Paribas, head of wealth management, South-east Asia
- Steven Lo, Citi Private Bank, region head, Asia-Pacific
- Francesco de Ferrari, Credit Suisse, head private banking Asia-Pacific, CEO Southeast Asia and frontier markets
- Pierre Masclet, Indosuez Wealth Management, Asia chief executive and Singapore branch manager

Moderator: Siow Li Sen, *The Business Times*

Tan Su Shan, DBS Bank

Lok Yim, Deutsche Bank

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Challenges of a booming private bank industry

ASIA'S private wealth is booming, so is the exponential growth of the region's elderly. China, where wealth is created the fastest, has forecast that about a quarter of its population will be 60 or older by 2030, up from 13.3 per cent in the 2010 census.

Private bankers tell *The Business Times* how they are managing hiring issues, and the sharpness of their clients.

With strong wealth creation, are there enough experienced relationship managers to handle the bigger volumes?

Tan Su Shan: As a leading financial centre, Singapore continues to attract and retain top talent in the field. In DBS, we have top bankers in the industry, with a wide range and decades of experience across different market conditions, work alongside younger bankers. This allows us to carry out our strategy of steady, sustainable and often organic growth of our client-facing employees – in numbers and in expertise, in anticipation of our clients' growing needs.

Ong Yeng Fang: Finding the right talent is always a challenge. Other than hiring experienced and senior relationship managers from the industry, we also identify young and bright potential graduates and train them under our management associate programme. We have established a process of identifying and grooming top talents from other client-facing business segments within the bank, and preparing them for roles within UOB Private Bank. These have enabled us to more than double the number of private bankers at UOB over the last four years.

Lok Yim: As a growth pillar of the bank, Deutsche Bank Wealth Management is investing in both talents and technology. As of May, we have made close to 100 hires.

Simply hiring relationship managers will not support growth. We have been building the entire ecosystem by placing talents in different functionalities to support clients from the very first day they are onboard our platform. Apart from recruiting professionals and grooming our own talents, we invest in technology to empower our colleagues. The bank last year announced a 65 million euro (S$104 million) investment to upgrade our systems.

Alvin Lee: Our wealth managers currently cover eight global markets: Malaysia, Singapore, Indonesia, the Philippines, Hong Kong, Cambodia, Brunei and London.

To bolster learning and professional development, Maybank recently set up the Maybank Wealth Management Academy. In partnership with the Wealth Management Institute of Nanyang Technological University Singapore, the academy offers a practice-based curriculum for 1,200 sales employees, wealth specialists and managers across private, premier and privilege wealth client segments.

Markets remain volatile. Are clients more anxious than six months ago, and what are they doing about it?

August Hatecke: We have profited in recent years by keeping our investment focus on economic reality rather than political headlines. With the strong economic and profit growth backdrop, global equities have advanced in July despite the rising likelihood of further US-China trade measures and a higher US car tariff.

To address the escalating risks and to take advantage of stocks' recent move up, we reduce the size of, but keep, our overweight position on global equities this month. We are left with a broadly neutral exposure to global risky assets, comprising small overweight positions on global equities and on emerging market sovereign debt, and an underweight on euro high yield credit.

At the same time, we also hold a 10-year US Treasury position versus cash. The yield is more attractive compared to recent years, and this position can also be seen as a hedge against possible negative market developments.

Arnaud Tellier: Clients have become more cautious at the moment. They seek our views and advice on the impact of trade tensions and the health of global economies. Some move up their credit rating spectrum from high yield to investment grade bonds. We witness more interests in defensive stocks with higher dividend yields as well as domestic plays which benefit from strong domestic growth. There is also preference for hedge funds, in particular equity long-short strategy aiming at achieving alpha with lower volatility.

Steven Lo: I would not say that clients are "anxious" – many still sit on healthy profits from successful investments in 2017. But clients are more cautious, and we are seeing more selective investment activities (switching both within and between asset classes) and higher interest in products that provide a minimum return or a protective buffer on the downside.

Our clients still have great appetite for any unique investment opportunities we put forth to them. In fact, often times, for these types of investments, they have made meaningful and sizeable commitments.

Francesco de Ferrari: One of our top priorities is to continue to help them transition from managing their assets on a transactional basis – often based on emotions – to a rational and institutionally-driven asset-allocation process with a structured construction that can further drive portfolio performance, riding out volatile market conditions and smoothing out overall returns.

In the first few months, we have seen strong client interest in both discretionary mandates as well as advisory mandates, with assets under management growing robustly by 20 per cent and 40 per cent, respectively. In particular, they have diversified into multi-asset strategies which also generated the highest mandate inflows. Multi-asset strategy portfolios are less adversely affected by specific asset classes and can achieve more stable returns over their investment horizon. Our fund solutions business also grew very strongly by close to 30 per cent year-on-year in AUM in the first few months of 2018.

I'm hearing anecdotally that more complex products are being offered, and structured products caused losses when the global financial crisis hit. Is it different this time?

Pierre Masclet: In our discussions with our clients, we emphasise on thinking more about overall portfolio allocations and less about single product ideas. And with tightened regulations and improved fee transparency, there is also a greater emphasis on moving away from selling products to providing value-added advice across the industry.

Steven: This is not our experience. Overall product complexity remains lower than prior to the crisis. The increased use of minimum return or buffered products would reduce clients' losses in the event of a downturn. In addition, the majority of large losses seen in the Asia-Pacific during the crisis were due to excessive use of leverage. We monitor and limit clients' use of leverage so that levels remain manageable.

Lok: Just to share our successful delivery of structured products helping clients to achieve their investment goals. This year, we introduced commodity asset allocation play as a portfolio-diversifying solution, bespoke rates for carry trade and hedging solutions, and credit derivatives as a margin-optimisation solutions. All of them were of multiple million euros each. We are not product distributors, we are service providers. By positioning ourselves as clients' trusted investment partners, we help them achieve their investment goals. This will not be unnecessarily impacted by market movements.

With currencies being whipped, is there more FX trading?

August: FX trading remains popular among our clients. Earlier this year, the monetary policy normalisation led to more lucrative volatility levels that were conducive to engage in derivative strategies. Our base case is that we expect the USD to soften broadly and hence also Asian currencies to restrengthen. Over the next six months, we forecast a 2-4 per cent appreciation on average for Asian currencies as the drivers of US dollar strength fade. We expect positioning to adjust and US 10-year yields to stay around 2.9-3.0 per cent over six to 12 months.

Pierre: FX trading has always been very popular, among Asian clients in particular. The global foreign exchange market is by far the world's largest market in terms of trading volume. According to the Bank for International Settlements, trading volume is well over US$5 trillion a day.

Steven: Clients are taking advantage of USD strength to reassess and rebalance FX exposures in their portfolios. Given the extent of the USD rebound, it makes sense for USD-based clients to switch out of non-USD loans that had been used for lower interest rates. We are also currently assisting clients to achieve funding rate discounts in USD loans by making use of cross-currency swaps.

Arnaud: The recent increase in volatility offered greater opportunities in the FX market. It made structured trades appear attractive, allowing more sophisticated clients to take target positions at deeper discounts to where the market has been trading.

The strength of the USD also offers a potentially attractive entry point to buy against some of the major currencies and some emerging market plays where we believe the fundamentals are solid.

Clients are living longer. Those who are 75 years and older, are they able to adapt to your bank's digital offerings and services?

Pierre: At Indosuez Wealth Management, we have seen that clients want both a digital and human experience. Only 20 per cent of clients prefer a primary digital service, according to McKinsey research. So we have taken a considered approach to the application of the latest wealth management digitalisation and financial technology.

We are strongly committed to staying focused on our core client-centric approach. We consider digital as an additional tool to provide information for clients, but it will never replace contact with our advisor or wealth manager.

For clients in their 80s and 90s, how does your bank service them?

Steven: They are still relatively engaged in wanting to keep abreast of the markets and trends. In a way, it keeps them feeling young! To be honest, many are still very much as sharp in their thinking as before. Much of this interaction is face-to-face or via phone calls.

Alvin: There is a fair number of clients in this age group, and we have taken a few deliberate measures to provide them with differentiated and attentive service, starting with setting up a priority queue in our branches for them. Our wealth managers take extra efforts to have more follow-up calls and meetings with them so that we can better understand their banking needs such as legacy planning.

Yeng Fang: The bank has a long history and we have many clients who have been with the bank for the past few decades. Most of our clients who are in their 80s and 90s are first- or second-generation business owners. Their families are also our clients. The familiarity our relationship managers have with our clients and their families helps us to advise them based on a deep understanding of their risk profiles and investment needs.

Inside

- How much money do we need to be happy? 2
- Narrowing gender gap can break growth stagnation 3
- The art of family office management 4
- Car tariffs could mark turning point for global growth outlook 5
- Surprise! US runs trade surplus with China 6

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How much money do we need to be happy?

When one is free of things that cause misery, the link between money and happiness changes. **BY PETER TRIGGS**

IF someone offered to give you as much money as you needed to be happy, it would be natural to start thinking of some pretty large numbers.

I would fall into a quiet daydream that featured deserted islands, days of leisure, houses around the world, and private jets. I would upgrade my car (an Aston Martin Vantage would do for a start) and my property. Where would I choose to live? As for the amount: A S$1 million, S$5 million, S$10 million, S$100 million, S$1 billion. Why stop there?

The links between money and luxury, money and possessions, money and status, money and fame, money and fine-dining, are well-established and undisputed. But money and happiness? This gets a bit more interesting.

If we have not given this much thought, we may by default fall into behaving as though this link is also clear.

Our working environment encourages us to work harder and harder for the next promotion, a bigger bonus, more status, more money, more 'progress'. In our home environment, we compare ourselves with our neighbours. We may fear anyone gaining an advantage over us ('*kiasu*' being a well-used adjective in Singapore).

Psychologists will tell us that we compare ourselves naturally with a 'peer group'. These may be our neighbours, work colleagues, relatives, school cohort. If we earn more, have a better house, are better looking, have more senior positions than our peer group, then we feel happy. If we have 'less', then we are discontented no matter if (by any global standard) we have great abundance.

The marketing world also suggests to us that by buying more stuff, we can find great happiness. Clothes, handbags, cars, the latest phone. Still not happy? Then clearly you don't have enough yet. Keep going.

But let's think about this for a moment.

Philosophers have considered the nature of happiness for many hundreds of years. One of the most famous was Epicurus around 300 BC. For him, happiness was linked closely to pleasure. For this, he acquired a 'bad rep' as the adjective 'Epicurean' has been linked to excess, over indulgence and wild pleasure-seeking pursuits.

In fact, his reality was quite different. For him, for example, the pleasure in a meal came not from having fancy and expensive food, but in selecting carefully whom he had a meal with, and the quality of the conversation. A bowl of lentils with the right people could be a meal of complete pleasure.

True happiness for Epicurus was really linked to friendships, companionships, conversation, simplicity ("Nothing is enough for the man to whom enough is too little") and sharing thoughts on life. (Here I refer the interested reader to the book *The Consolations Of Philosophy* by Alain de Botton).

Nearer to the modern day, psychologists would agree that the happiest people are those with friends, family, close communities, health, fruitful and caring lives, and love. A job you enjoy is a huge factor, staying busy, helping others, and feeling recognised, appreciated and loved. (As someone once said, "happiness is: something to do, someone to love, and something to hope for".)

Of course, your life must be free of things that actively make you miserable. Ill health, or that of a loved one; serious debts; a job you hate; an abusive boss or spouse. Some of these can be helped by money (such as getting special health care, or having a safety cushion to risk changing jobs), but once these are tackled, the link between money and happiness changes.

In the book I mentioned, there's an interesting graph. The vertical axis represents happiness and the horizontal axis represents money spent, or perhaps wealth. The shape of the graph shows the link between money and happiness.

Now, I think it is clear that it will be hard for someone whose basic needs (food, water, shelter, basic healthcare) are not met, to be really happy. If someone cannot feed their children, obtain basic education for them, and keep them healthy, life could be pretty miserable.

At this level, I believe money and happiness will be directly correlated, and the graph will be almost a pure correlation at 45 degrees. For someone on an income of S$2 a day, S$500 could be life-changing. (This is the idea behind micro-finance). Money can also help mitigate the problems above, so the graph will remain positive.

The links between money and luxury, money and possessions, money and status, money and fame, money and fine-dining, are well-established and undisputed. But money and happiness? ST FILE PHOTO

> "Nearer to the modern day, psychologists would agree that the happiest people are those with friends, family, close communities, health, fruitful and caring lives, and love."
>
> **Peter Triggs**

But once basic needs are met, and serious problems removed, the slope of the graph will start to level off. A car would be nice, a better school for the children, private healthcare, but the incremental happiness brought by the extra S$500, or even S$5,000, is smaller. Gradually the graph of incremental happiness flattens.

In fact, I would make a small adjustment to the graph in de Botton's book. After 30 years of dealing with very wealthy people, I actually believe there comes a point when the happiness graph turns downwards.

One has got away from the problems of poverty, but moved into the area of the problems of wealth. (Arguably, the problems of wealth are preferable to the problems of poverty, but they are still problems).

Problems of wealth

- Maybe people like me only because I am rich;
- Everyone is after my money;
- Will people steal from me, especially when I am old;
- My life is becoming too complicated;
- How do I motivate my children;
- How do I protect them from gold diggers;
- Might I be kidnapped, or become a target for criminals;
- I don't need to work and I'm bored.

We have seen major families that have become dysfunctional with family disputes, lawsuits, drug problems. With wealth, it is also natural to become more isolated, travelling in a private car or plane rather than with other people. I'd go on a holiday in exclusive resorts where I don't need to meet other people. I'd surround myself with sycophants who'd do my bidding and agree with my every word. And ordinary people start to give me a wide berth.

I may not end my days in strange, eccentric isolation like Howard Hughes, but I may be somewhere along that path. (Even walking around with my eyes stuck on my new phone, and avoiding human contact, might be the first little step towards lonely isolation – and loneliness is one of the great happiness-killers.)

So, the results of great wealth are often actually to move one away from what the psychologists tell us are the real drivers of happiness. It is certainly my experience that the truly wealthy seem no happier than the rest of us, and often less so.

I will make an assumption about the readers of this article. I will assume that most of us are somewhere in the middle of the happiness graph. We are not wondering where the next meal is coming from, nor are we suffering under the fears that may accompany great wealth.

We are probably able to deal somewhat with most of the major problems that life has brought us so far. We are in the zone where it is nice to have more money, but the dial of true happiness when we get more money is not really moving. Here, we will make (consciously or unconsciously) one of two assumptions.

I may conclude that I am not getting happier because I just don't have enough money yet.

I just need a bit more, then a bit more, then a bit more. But, in fact, not only does 'enough' never come, but I'm not sure that the concept of 'enough money' can be found in today's world. In my constant pursuit of this holy grail, I will spend more time away from my wife and children, I don't have time for my friends, I am too tired for meaningful conversations, I don't have time for any volunteering. I am on a mission that never ends.

The second assumption I can make is that I have sufficient funds for a worthwhile life.

Winston Churchill said: "You make a living by what you get. You make a life by what you give."

If my wealth has removed me from the problems of poverty, and I am able to cultivate friends, family, an emotional life, a spiritual life, and lead a truly considered and meaningful life, then true happiness beckons. I may find it a revelation to spend some time volunteering or carefully giving to others.

So, how much money?

If you want an ocean-going super yacht, you should probably target US$1 billion. A private jet? First get about US$200 million. Multiple properties around the world, US$30 million would be useful.

But how much money do I need to be happy?

Here is the answer that perhaps you didn't want: You almost certainly already have enough.

The writer is senior adviser, Wealth Planning, DBS Private Bank

ESG governance needs new overall oversight

Governments need to create guidelines to complement reforms at micro level. **BY MARKUS MÜLLER**

ENVIRONMENTAL, social and governance (ESG) considerations require a new approach to macro and micro oversight.

The current regulatory approach is centred on the aim to protect customers of financial services firms from what is known as asymmetrical information – the belief that the providers of a financial service in the retail business typically know more than their customers about the financial risks of their proposition.

But to date, there is still no equivalent oversight for ESG criteria. Contrary to financial statements, ESG indicators aim to identify non-financial risks and are forward-looking rather than backward-looking. This is why the implementation of ESG criteria in everyday business, regardless of industry or sector, requires a new type of oversight that complements the existing regulation focusing on short-term financials.

> "An environmentally- and socially-sustainable financial services sector cannot be achieved by tinkering at the margins. A complete re-thinking of processes, policies and organisational structures is inevitable."
>
> **Markus Müller**

Current developments

There are already some efforts underway in this direction.

For instance, the European Union has this year set the groundwork for the development of the definition of, as a first step, environmental factors (with social and governance factors likely to follow at a later stage) and making sure customers receive sufficient information before choosing a particular financial product.

In Asia, there are efforts underway to educate investors as well, such as the Green Credit Guideline in China. But even so, globally there is a regulatory void when it comes to environmental and social oversight that current supervisory bodies are ill-equipped to fill.

This oversight has to be developed on two levels – micro and macro levels – and this needs to be done at once. There is no time left for a piecemeal approach.

Not only environmental, but also economic and social sustainabilities have become an urgent necessity. Of course it would be simpler to just aim for reform at the micro level, but given the challenges we face, this would come too little too late.

On a macro level, governments need to create clear guidelines and a legal framework in which the aforementioned initiatives on a micro level can flourish.

A new independent supervisory authority would arguably best be able to act as an oversight body for sustainability. It would need to receive a clear mandate from governments with a precise set of targets.

But while carrying out duties for the government, it would remain independent from it. Additionally, this agency would be in charge of supervision of the ESG space.

This institution would need to develop common minimum requirements and verify existing industry standards. These two objectives are necessary steps in order to make sure that the term ESG means the same thing independently from which institution mentions it.

This means that there has to be strong progress in transparency and standardisation, two areas where the corporate sector as a whole is still far from where it needs to be.

A scattered approach where each country works on its own is going to be inefficient and too slow. We need a more comprehensive approach that allows developed and developing nations to work together, we need the kind of wide-ranging international co-operation that can come only from sharing a common goal.

On a micro level, there is a role to play for self-regulation by professional bodies as a way to guarantee certain minimum standards in terms of transparency in this area, which is still often poorly understood.

It is in each industry's own interest to raise public awareness and to make sure that "ESG means ESG" – a key prerequisite to gain the trust of investors and the wider public alike. Furthermore, the operators on the ground are where the combined knowledge of ESG matters resides – they have the experience, the knowledge and the tools to contribute to the debate.

It is fundamental that the input of the firms operating on the front lines of ESG is taken into consideration for the purpose of shaping future regulation. But in order to do so and to contribute to the debate, firms need to engage with the public and the regulator. They need to dedicate resources to this cause by nominating ESG subject matter experts.

Implications for financial services industry

The implications for the financial services industry are profound.

It is important that market participants both on the buy and the sell sides recognise the relevance of common ESG standards for the industry's credibility. Greater transparency is in the interest of all market participants. The requirements on data, compliance and transformational capabilities of business models are set to be significant.

An environmentally- and socially-sustainable financial services sector cannot be achieved by tinkering at the margins. A complete re-thinking of processes, policies and organisational structures is inevitable.

The need for transparency and standardisation in the ESG space has become increasingly urgent because it is only quite recently that ESG investments have gone mainstream, reaching increasing numbers of retail investors.

As long as sustainability was a niche topic reserved for a few specialists, it didn't matter if everyone had a different idea of ESG. But as soon as the wider public gets involved, it quickly becomes imperative to agree on common definitions and proper supervision.

The organic food industry has faced the very same challenges of the past two decades and presents a very interesting case in point of the consequences of lack of coordination. A growing amount of consumers interested in organic produce have been battling for years with a cacophony of different standards of the term "organic".

Most countries have a national definition of their own, some supranational bodies like the EU have developed proprietary standards as well, while at the same time single trade associations and even single supermarket chains each advertise the superiority of their own standards.

As a result, while organic food keeps gaining in popularity, transparency in the sector is still sorely lacking, to the frustration of consumers who often lack the information to know what differentiates these labels from each other.

We believe we have a duty to call for transparency on behalf of our clients and contribute towards the development of common standards, which only a cooperation along the lines proposed above can achieve.

Necessary transformations

The aim of both micro and macro governance systems is to make sure that our economy goes through the necessary transformations that are critical in preserving the world we live in.

This necessity touches every single market participant and every member of our society. We need to adapt in order to avoid destroying what we have. There is no plan B for the environment. It is our responsibility as human beings to preserve the natural environment.

If we destroy the natural resources of our planet, we also destroy the foundation of economic well-being. The preservation of the complex but fragile environment in which we live is necessary for our long-term welfare.

Ultimately, the institutions charged with overseeing ESG matters need to ensure that environmental and social targets as well as regulations are met, but they also need to highlight the risks of inaction.

This is crucial to investors: Only if they are aware of the risks of inaction can they correctly evaluate the financial impact of any economic activity that has a social or environmental impact.

An approach that borrows from the Ordo-liberal school – a doctrine that believes in the primacy of the market economy but argues that the state must provide institutional and legal economic framework for it – may well be what is needed to face the challenges ahead.

The writer is global head of Chief Investment Office, Deutsche Bank Wealth Management

Only 50 per cent of the world's women are gainfully employed, much less than 75 per cent for men, and women still earn on average 24 per cent less than men globally. ST FILE PHOTO

Narrowing gender gap can break growth stagnation

Economic potential of 865 million women still excluded from global labour market needs to be harnessed. BY TAN MIN LAN AND CARL BERRISFORD

GLOBAL growth remains robust, with the International Monetary Fund (IMF) forecasting 3.9 per cent in 2018 from 3.8 per cent in 2017 – a solid platform for Asian growth.

But as the business expansion matures, risks are lining up: tightening of global monetary policy, shift to protectionist trade policies, and China's ability to balance shadow-banking reform with growth. The slower-moving challenge from demographics remains a long term headwind for productivity, but which may be partly offset by the rise of the digital economy.

Governments everywhere are struggling in the search for new sources of growth, investing billions to spur innovation and productivity gains. But one potential area of growth remains overlooked: harnessing the economic potential of the 865 million women who are still excluded from the global labour market.

Closing the gender gap is to us a critical solution towards the problem of stagnating global growth.

Every single country around the world, from Saudi Arabia to Canada, currently has more men than women working in their labour markets. Only 50 per cent of the world's women are gainfully employed, much less than 75 per cent for men, and women still earn on average 24 per cent less than men globally.

Women are also heavily under-represented in senior roles. According to MSCI, only 18.1 per cent of directorships in MSCI World Index companies are held by women; for MSCI Emerging Markets, this figure falls to 8.4 per cent.

This workforce gender gap – be it labour participation, pay equality or the corporate "glass ceiling" – is also not necessarily a trait of emerging versus developed markets. For example, women are paid more equally to men in Malaysia and Vietnam than in Japan and even the United States.

According to McKinsey Global Institute estimates, if women were paid and participated in the labour market at the same rate as men on best-in-region levels, the resulting swell in incomes would add US$12 trillion or around 11 per cent to the global economy within a decade.

While much has been discussed about Japan's policy focus on 'Womenomics', the country's experience with an underutilized female talent pool is hardly unique.

Boost numbers of working women

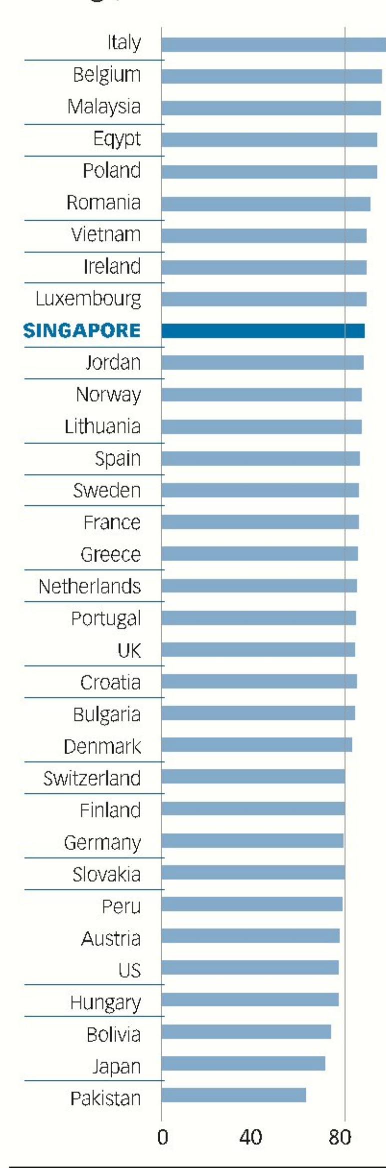
In fact, nearly all markets have much to gain if they were to boost the numbers of working women; for example, the IMF estimates that labor participation parity between the sexes could lift GDP totals by 5 per cent in the US, 9 per cent in Japan, 12 per cent in the United Arab Emirates and as much as 34 per cent in Egypt.

For shareholders and owners of companies, the report Gender Diversity Matters by UBS pointed out that gender-diverse companies - those with women in at least 20 per cent of senior leadership positions – were more profitable than their less gender-diverse peers.

The same study also showed that from 2011 to 2017, a UBS gender-focused portfolio of companies beat the MSCI World Index by an average of 1.6 per cent a year. While this does not necessarily imply causation, gender diversity is to us a proxy of well-run companies with good corporate governance.

Gender pay gap

Ratio of female-to-male earnings, 2008-2012



Source: United Nations, 2015

Other academic studies corroborate this view - a recent one by the Peterson Institute for International Economics found that for profitable firms, a move from zero female board representation to a 30 per cent female representation is associated with a 15 per cent increase in net revenue. This study was based on 21,980 firms headquartered in 91 countries.

Studies have linked this material uptick in profitability to the way women assess and consider risks differently from men. Women tend to be more risk averse: when faced with the same probability distribution, men are more willing to take outsized bets than women.

Christine Lagarde, Managing Director of the IMF, aptly stated, "If Lehman Brothers had been a bit more Lehman sisters, the 2008 financial crisis may have been less severe."

Uplift to structural growth

Such an uplift to structural growth from a more engaged female labour pool would dwarf any single industry's contribution to the global economy. Yet progress, while dramatic in a historical perspective, remains gradual at best and not fast enough to unlock the full breadth of the economic bounty.

Admittedly, the gender gap is a complex issue, and reasons for its persistence vary around the world. But one universal reason women either abstain from the workforce entirely or only find part-time work - which results in lower pay, poorer job security and fewer promotions - is the issue of maternity and domestic burden.

Women by and large bear a greater share of household duties – especially when starting and raising a family – which impacts their career choices. In the developed countries Organisation for Economic Co-operation and Development, 80 per cent of part-time workers are women.

Lasting solutions to address these realities directly involve costs, trade-offs and a fundamental shift in cultural attitudes. Families may need to accept different domestic arrangements and boys must be taught from a young age to have an equal share of the domestic burden.

Companies also need to proactively support the life goals of their female employees through flexible work arrangements, adequate maternity and paternity (to avoid skewed job prospects in favour of men) leave, and dedicated actions to ensure a pipeline of female talent, especially at middle management where attrition due to maternity is often at its worst.

Above all, governments are key in setting the tone and in enacting lasting changes through a policy mix that encompasses education, family planning and labour market measures.

Having high-quality, accessible and subsidized childcare is essential to keep married women fully engaged in the job market. But these changes do come with costs: it's no coincidence that countries with the most pro-family policies, such as the Nordics, also tend to have higher taxes.

The weak state of the current global economy adds urgency to addressing the issue of the gender gap. Empowering women will result in incredible economic opportunities, benefitting not just women themselves, but also the local communities and our global society as a whole.

The writers are head CIO APAC Investment Office & Carl Berrisford, analyst, CIO – UBS Wealth Management

Open communication crucial in family business' succession

Establishing a formal family governance structure can also act as a compass. BY PHILIP KUNZ

> "Respecting the business strategy of the incumbent generation, navigating a changing world, all while ensuring the family is on board with the commercial and wealth path that has been set – it makes for a lot of spinning plates."
> **Philip Kunz**

PICTURE this: In front of a packed hotel conference room full of media, and surrounded by bright TV lights and microphones, your father – a world renowned business tycoon – announces at the company's annual investor meeting, that he is stepping down from the chairmanship of the company that he built over the past 60 years, and is appointing you as the successor to take the business and family forward.

At that moment, the microphone, the eyes and weight of expectation, immediately and permanently shift to you. To say it's a poignant and defining moment would be putting it mildly.

According to a joint SMU-Deloitte study across South-east Asia, 77 per cent of first generation leaders prefer a Next Gen family member to succeed them. As this shift continues over the next decade, this is a scenario beginning to play out across the world, and particularly in Asia.

Called out as the 'Next Generation', descendants of the family business are hungry to take on the challenge – but in a way that has their own stamp.

And if there is one theme that encapsulates the attitude for a majority of them, it's making a sustainable impact – in the business, society and family.

"May you live in interesting times."

While the Chinese say this ironically, it is actually an exciting time to be in business.

Innovation, agility and the internet of all things is closing the gap between starts-ups and established businesses. E-commerce is changing the way consumers and businesses interact. The countries that were historically inward or outward in trade and investment focus are changing places, and markets are skittish.

Volatility and uncertainty can be disquieting, but it is also where there is opportunity.

Among this, the new generation of entrepreneurs are itching to make the changing world work for their business – not against it. Motivated to make their mark, they question previous conventions and existing business models.

Here lies a potential generational divide.

The business has become successful following tested templates, but innovation is how it will remain successful in the future.

Making change is hard enough but it can be compounded if the incumbent leaders need some convincing. While the task may seem daunting, leading through change and the injection of new ideas, can be that extra push to accelerate performance.

Sustainability

The desire to make an impact extends beyond the business to society at large for many of this emerging generation of leaders, and this is paving the way for sustainability being part of the family's wealth agenda.

In particular we're seeing many of our clients incorporating environmental, social and governance in how they conduct business.

This can range from adopting more environment-friendly practices, through to setting up strategies to prevent human trafficking from taking place within their supply chains.

Research conducted by the Global Impact Investing Network identified that impact investing grew by more than 25 per cent in Asia in the three years leading up to 2016 .

But make no mistake. While the rise may stem from a younger generation's outlook on the world, impact investing is still around the need to make money.

The Next Gen business owners are increasingly channelling their funds into many avenues that are now available: using their shareholder weight to invoke sustainable policies, to microfinance, and impact investing in private markets.

Adding in the element of 'family' to business can definitely be an extra layer of complexity.

Not all of the children will want to take an active role in the family business or may have different levels of engagement and leadership.

The broader question then becomes: How do you allocate the wealth accordingly, and how do you ensure rest of the family involved in the journey share a collective mission?

Many families set up committees that act like a family council to groom the next generation to be responsible owners in the future and to set the strategic direction on how to control their wealth and businesses over the generations to come.

Establishing a formal family governance structure can also act as a compass.

And when taken in stride, can instil good communication and trust. Making collective decisions around philanthropy, for example, can also be a training ground for the tougher discussions on personal wealth and succession.

The first generation may have built the business but the Next Gen carries the weight of sustaining it.

And they come with the right intentions. For them, it's all about impact: sustaining the family business, having a positive role in society and as well as their family.

Respecting the business strategy of the incumbent generation, navigating a changing world, all while ensuring the family is on board with the commercial and wealth path that has been set – it makes for a lot of spinning plates.

The task is not easy, but being a leader rarely is.

By being true to your family values and through open communication, the generational divide can actually become a generational accelerator.

The writer is head of Private Banking, Southeast Asia, HSBC Private Banking

The art of family office management

To maintain competitive edge, family offices need a strategic vision and a keen understanding of the family's mission, values, goals. BY MICHAEL TROTH

SUCCESSION planning and wealth preservation have always been key priorities for family businesses.

These concerns, coupled with the increasingly global nature of private wealth, are fueling the rise of family offices.

The modern concept of the family office has its roots in the 19th century and since then, organisations and services involved in managing large private fortunes have evolved significantly, especially as the demands of families become increasingly complex and sophisticated.

Managing a family office requires deep knowledge – not just about investing, but also a host of other aspects. To maintain their competitive edge, family offices should have a strategic vision and clear plans for hiring, investing, operations, and brand management.

Attracting and retaining top talent

Talent is one of the most important considerations in running an effective family office. In the face of competition from hedge funds, investments banks and other wealth management firms, family offices often find it tough to retain advisors with the required level of expertise.

This is partly because compensation structures for family office executives tend to be opaque and are often not well understood. In larger institutions, hiring and retention is usually overseen by the human resources department, but family offices cannot rely on such infrastructure. Despite this, families have advantages in attracting talent often because they are able to offer more flexibility in compensation and incentive packages.

Besides money, staff of family offices can be rewarded in other ways, including making use of the family's resources and networks to offer executives opportunities that they might not otherwise have. Compensation could even include, for instance, occasional access to family assets such as vacation homes, aircraft, and yachts.

To outsource or not?

Even the largest family office in terms of assets under management needs to weigh the benefits of outsourcing services against keeping them in-house.

Family offices typically outsource specialised professional functions such as tax strategy, trust and estate planning, custody, and investment management. Increasingly, they are also outsourcing functions such as risk monitoring, bill payment, general ledger, and financial reporting.

Outsourcing certain non-core services can help family offices to be more cost-efficient. For instance, outsourcing high-value professional services brings down costs through economies of scale.

In addition, external providers might be able to offer technology solutions which will benefit the family office. This has become increasingly vital in the aftermath of the global financial crisis, with extensive due diligence and in-depth assessments of top-down portfolio risk now par for the course. This calls for more sophisticated technology platforms to ensure compliance and incorporate stress-testing tools.

On the other hand, keeping key services in-house gives the family greater and more direct control over its wealth.

Conflicts of interest with external providers can also be avoided. It is crucial to obtain the right balance between outsourcing and in-house management. Families should weigh these considerations based on the goal of obtaining the most effective services in an efficient way, while avoiding potential operational risks.

Plugging competency gaps

Closely linked to outsourcing considerations is the issue of knowledge gaps. Family offices often neglect to make a candid assessment of shortfalls in their investment expertise. They should understand their limits and mitigate risks by filling competency gaps.

Family office experience competency risk in different ways. At the extremes, some do not fully understand investment strategies and products, instead opting to delegate the knowledge and responsibilities to third parties, believing their interests will be better served.

"When family members are employed, compensation should be determined strictly according to role, responsibilities, skill and performance."

Michael Troth

Others believe that there are a few limits to their ability to manage investments – skill and experience notwithstanding.

Competency risk can be further increased by investments in hedge fund strategies or direct private equity and venture capital investments, which require even greater depth of experience and skill.

The best way to understand and mitigate competency risk is by candidly and thoroughly identifying the family office's strengths and weaknesses – staff, technology, content and investment practices – relative to the investment demands being made of them. Based on the outcome of this assessment, competency gaps can be identified and filled internally or externally.

Serving the next generation

The new generation of wealth holders is increasingly concerned about building a sustainable legacy and having a positive impact on society.

Millennials are more likely to invest for good, not solely for returns. This means it will become more important for family offices to develop capabilities geared towards assessing social investments. This shift is also closely linked to a family's philanthropic efforts, which are often also managed by the family office.

In addition, the need for intergenerational wealth transfer services is set to rise in tandem with the emergence of millennial wealth owners. This will create an opportunity for family offices to assess the needs of the next generation and devise programs to train them in financial planning for the future. They can also offer estate and tax planning solutions.

Besides investment management, family offices can play a crucial role in the development of next generation family enterprise leadership. One of the top priorities should be encouraging meritocracy in family enterprises. This means no employment or board membership guarantees should be made to family members or relatives including children, cousins or in-laws for example. When family members are employed, compensation should be determined strictly according to role, responsibilities, skill and performance.

There should also be a keen awareness of the negative impact of hiring and promoting unqualified family members especially on other employees. Eliminating any sense of entitlement among family members can help avoid many unfortunate issues from arising.

Clearly, family offices face a range of challenges on multiple fronts that they need to overcome if they want to stay ahead. To create and operate an effective family office, a keen understanding of the family's mission, values and long-term goals is key.

▮ The writer is head of Trust and Wealth Planning and Family Office – Asia, Citi Private Bank

Political scenarios and their impact on markets, investor psyche

Amid all the uncertainties and risks, our advice is to "keep calm and carry on investing". BY ARJAN DE BOER

THROUGHOUT 2017, the world was rather stable. Global GDP saw healthy growth, there was the prospect of tax measures in the US that could fuel capital markets even further and whilst there were some geopolitical fizzles, these were nothing compared to the strong rhetoric we are seeing nowadays.

The much anticipated European elections turned out to be non-events (a positive for investors: markets hate surprises but love stability and predictability). As a result, 2017 turned out to be a year which saw a global synchronised upswing that delivered very solid investment returns in virtually all asset classes and as such, "momentum investing" was the name of the game: whatever you do, it's highly likely to go up.

At the beginning of this year, the general consensus was that 2018 would see a continuation of this global synchronised upswing with similar global growth, although the expectation was that there would be more regional differences, with emerging markets seeing the biggest gains.

And indeed, the markets got off to a good start, with January and most of February showing strong investment returns. At the end of February, however, a first shock was delivered to the system, with a sell-off in the global equity markets, losing the gains of the first few weeks of 2018 and a huge spike in volatility (as measured by the VIX Index) was the result. Although markets have calmed down since, the level of uncertainty surrounding the markets has increased tremendously and more importantly, to a great extent unexpectedly. And generally speaking, investors hate uncertainty.

While it is conventional wisdom that trade wars only have losers, US President Donald Trump has a different opinion and seems to prefer rhetoric over rationale. PHOTO: REUTERS

Let's first take a look at these uncertainties and there's a lot of them.

The most obvious is the looming potential trade war. While it is conventional wisdom that trade wars (countries imposing punitive tariffs on each other's goods) only have losers and actually caused the Great Depression in the 1930s, US President Donald Trump has a different opinion and seems to prefer rhetoric over rationale. The ultimate outcome is unknown but current signs are that it is spiralling out of control. Many countries are putting in place retaliatory measures against the US as we speak, most probably triggering counter reactions.

Then there's Europe. Germany seems less stable than usual and then there's Italy.

France's De Gaulle once wondered how he could govern a country with 246 varieties of cheese. Italy has 487 types of cheese...Uncertainty from Italy, Europe's third largest economy, is currently rattling the markets.

Next up: the Middle East. Unrest in Syria, uncertainty around the Iran nuclear deal, the Saudi-led coalition in Yemen and the clashes between Israel and the Palestinians. The list goes on.

But mostly, the US, a beacon of stability for many decades, is reversing this trend at a staggering pace, upsetting not only its foes but also almost all of its long term allies.

Pulling out of the Paris agreement on climate change, cancelling trade agreements, the Iran nuclear deal and more recently, withdrawing from the United Nations Human Rights Council, to name just a few.

So the question is: Where do you go from here? What do you do as an investor facing all these unfolding global events?

Our advice is to "keep calm and carry on investing". Global growth is still healthy, corporate earnings are globally strong and unemployment is at a low or even all-time low levels in most developed economies. Whilst interest rates are on the rise, central banks are more transparent and predictive than ever before, so markets have fully priced in central banks' policy on rising interest rates.

As for trade, so far this year, Asian exports are up. Trade continues to expand at double digit rates -- not a sign of a global slowdown yet.

America's diplomatic advances to North Korea are, as it seems at this stage, a reasonable first step and ultimately,stability on the Korean peninsula would benefit regional stability. While it is early days and the potential economic effects of this détente might not be felt for years to come, the psychological effect on financial markets so far is positive.

Having said all that, this is typically a time when investors need to keep "a close eye on the ball". And in order to ensure that you continue to see the woods through the trees, regular sparring with your financial advisor(s) is, in my view, a must. So make sure you monitor your portfolio together more regularly than usual so that adjustments can be made in a more timely manner, as and when needed.

My view at this moment is the following: make gold (XAU) part of your portfolio, even if it's just a small portion. In general, shorten the duration of your fixed income portfolio. Unless you have a very long investment horizon (10 years or more), liquidity is important in order to act quickly, if needed, so I'd advise to stay away from the more illiquid securities at this stage.

Hedge part of your portfolio, whatever is in there. This ensures you'll be able to sleep at night, whatever the markets are up to! And I risk stating the obvious: ensure diversification and keep your risk tolerance in mind!

▮ The writer is head of Markets, Investments & Structuring, Asia, Indosuez Wealth Management

Car tariffs could mark turning point for global growth outlook

Retaliation from trading partners will affect inflation and car industry employment. BY STEFAN HOFER

FINANCIAL markets are rapidly coming to terms with a number of unprecedented policy developments from the Trump Administration, that have potentially far-reaching impacts with both pro-growth and dampening implications.

On the former, corporate and income tax cuts enacted shortly after the election are propelling the US economy to grow well above trend. The current economic expansion is the second-longest on record (dating back to 1854), and combined with the drive to reduce regulation, it can be argued that US President Donald Trump has given the maturing economic cycle a boost that may see it break earlier records.

Hence US unemployment may hit 3.5 per cent towards the end of cycle, and real wages are expected to continue rising at a moderate pace, leaving the door open for the US Federal Reserve to continue hiking interest rates. Stock markets cheered these early initiatives, especially in January, as it became clear that corporate earnings growth in the US was likely to see a substantial boost, underpinning above-average valuations.

It is important to bear in mind that during the election campaign, Mr Trump was vocal about his intention to cut taxes and repeal regulation that, in his view, restricted business growth. On this front, he has largely delivered his election promises.

According to JP Morgan, the US imported US$360 billion of cars and car parts in 2017 – and only 46 per cent of US final demand for cars is sourced domestically. PHOTO: AFP

> The Trump Administration has signalled its willingness to expand tariffs to a wide range of goods, which is perhaps why financial markets have become increasingly nervous over the past few months.

Since January, however, equity markets are markedly lower, and bond yields have increased substantially. At the same time, the US dollar has appreciated against most currencies, arguably reinforcing capital outflows from emerging markets (EM), forcing some EM central banks to hike rates to defend their currencies and bolster their inflation fighting credentials – at the expense of slower EM growth. In short, it would seem that something has gone wrong.

In retrospect, we can posit that financial markets may have been too quick to discount some of Mr Trump's campaign promises, while taking other intentions at face value.

The greatest misperception in this regard is arguably on trade policy. As a candidate, Mr Trump promised to take a more hawkish stance on trade, but perhaps the market did not anticipate the extent to which the White House would be following through with this new approach.

The first set of import tariffs was set in February, on a limited range of goods such as solar panels and washing machines. Most orthodox economists would take the line that the tariffs are disruptive to trade and normally harm the consumer faced with an artificial price increase that often cannot be avoided. This is because, especially in the short run, alternative products not subject to tariffs are unavailable, so the consumer has to decide whether or not to buy the product with the tariff.

As anticipated, the impact of the February tariffs are showing up in US Consumer Price Index (CPI) data – the price of washing machines has jumped as of the end of May, as US consumers choose to pay the tariff.

While this is an example of a single good, the Trump Administration has signalled its willingness to expand tariffs to a wide range of goods, which is perhaps why financial markets have become increasingly nervous over the past few months. Washing machines are not a significant component in the overall CPI in the US, but as the scope of tariffs widens, the general price level can be expected to rise, posing a complicated challenge for the Fed.

Currently, the Fed is hiking interest rates because growth is above trend, capacity utilisation is high, and wages are rising. Indeed, real interest rates are still negative in the US, so it cannot be argued that the Fed's policy is especially restrictive. Rates are rising, but at a gradual pace that appears to echo the pick-up in inflation pressures.

What would happen if tariffs were to become widespread? If the washing machine example is illustrative, then the overall CPI may accelerate, forcing the Fed to decide whether faster rate hikes are needed, or to 'sit it out' and argue that tariff-driven inflation can be tolerated. If rates rise faster, then it is conceivable that the current economic expansion may come to a quicker end, with potential for equity markets to correct substantially.

If the Fed chooses to look through the possible CPI jump, bond yields may rise anyway, thus tightening financial conditions. The market's focus will then be squarely on the Fed as the US government is substantially increasing its fiscal deficits (due to the tax reform) and therefore does not have much 'space' to smooth out the onset of slower growth (or even a recession) as financial conditions tighten.

What could bring us to this point?

In short, the most likely trigger for a meaningful increase in the path of US inflation would be the 25 per cent tariffs on imported new vehicles and car parts.

According to JP Morgan, the US imported US$360 billion of cars and car parts in 2017 – and only 46 per cent of US final demand for cars is sourced domestically. At the same time, the US exported US$158 billion of cars and car parts – 7 per cent of total US exports. New vehicles form 3.8 per cent of the US CPI basket and 4.8 per cent of the core CPI measure, as well as 0.6 per cent of total non-farm employment.

Putting this together, if the US applies 25 per cent tariffs on cars and car parts, and assuming that trading partners retaliate with an equivalent tariffs, the inflation impacts and likely risks to US car industry employment will be significant.

The US is expected to hold public hearings on the topic of car tariffs in late July. We take the view that trade tensions and ensuing tariffs up to now do not pose a material risk to US or global growth outlook – but investors should be mindful that this could change depending on future developments on the car sector.

The writer is chief investment strategist at LGT Bank Asia

Navigating heightened volatilities amid threats to global trade

Escalating trade disputes have kept markets on edge. BY ALICE TAN

A FULL-BLOWN trade war between the US and its key trading partners is likely to disrupt the global supply chain and impact trading volumes, with far-reaching repercussions for investors and businesses who need to exercise caution as they tread on the murky waters of trade spats.

Given rising volatility and uncertainties clouding over global trade, a careful and selective investment approach is increasingly important for private wealth clients.

Looking back on history, the last full-blown trade war in the 1930s was a global disaster and if history is anything to go by, China's President Xi Jinping has rightfully pointed out that "nobody wins in a trade war".

In 1930, the US administration enacted the Smoot-Hawley Tariff under Republican President Herbert Hoover, and raised the import duties on 890 products by an average of 40 per cent, to protect the US farmers and businesses.

The action prompted retaliation from foreign governments and a global trade war ensued. Many economists blamed the Act for precipitating the Great Depression.

The economic downturn that began in the US dragged the world economy down, and it was not until the mid-1930s that economies started to recover. From 1929 to 1934, world trade plunged by some 66 per cent. In the US, farmers suffered a big reduction in export sales and many defaulted on their loans. US unemployment rate jumped from 3.2 per cent in 1929 to 25 per cent in 1933.

US President Donald Trump is bent on pursuing an aggressive approach to trade, arguing that it would create jobs and strengthen national security. Protectionist measures have been implemented and announced.

In January 2018, the Trump administration imposed a 30 per cent tariff on imports of solar cells and modules, and a 20 per cent tariff on imported washing machines. It was a relatively "easy win" then for Mr Trump as foreign appliance manufacturers such as Samsung and LG quickly responded by announcing plans to open new factories in the US, helping to create jobs for Americans.

Emboldened and encouraged by the easy win on solar panels and washing machines, tariffs on steel and aluminium imports were quickly announced, followed by a list of imported goods from China. Cars and car parts from Europe are now the next target of the "America first" trade agenda.

Trade deficits: Good or Bad?

Combining goods and services, the overall trade deficit in the US amounted to US$568 billion in 2017. The largest bilateral trade imbalance is with China, with the country accounting for 66 per cent of the total deficit at US$ 375 billion.

Trade imbalances are not inherently good or bad per se, and there is no straightforward relationship between trade imbalances and the state of the economy and the labour market. They are just a reflection that the Americans are consuming more than it produces.

Will manufacturing jobs return to the US if trade imbalances are reduced? This may not be the case as the US today no longer possesses the comparative advantage in producing these goods.

Trade imbalances are caused by macroeconomic factors such as the relative growth rate of economies, a country's savings and investment rate, as well as the value of currencies.

What does the rest of the world do with the dollars earned from selling goods to the Americans?

For example, when China sells US$1 million worth of goods to the US, the country would have earned US$1 million in income. In the last couple of decades, in order to avoid a strong yuan, China has reinvested the dollar earnings in US assets such as US treasuries, equities and various types of real estate properties.

Mr Trump's protectionist stance could also pose threats to the US dollar, the world's dominant reserve currency. If the protectionist measures are implemented by blocking imports, the rest of the world may reduce their demand for US financial assets, resulting in higher US bond yields and weaker demand for US dollars.

The biggest risk for the dollar is the possible exodus of capital flows, especially at a time when the US needs to borrow from overseas to finance its current and budget deficits, which are rising towards 3 per cent and 4 per cent of the country's GDP, respectively.

Escalating trade disputes have engendered a general risk-off sentiment and kept markets on edge over the past few months.

So far, the economic damage is limited as the proposed and implemented tariffs represent only a small portion of global trade and global GDP. But the conclusion of the G7 Summit in June 2018 suggested that trade issues between the US and its key trading partners would not be resolved anytime soon, at least not till the US midterm elections in November.

While our base case is that the US and its trading partners will eventually reach a deal and avert a full-blown trade war, the prolonged trade uncertainty could affect business confidence and outlook on hiring and investment plans, creating downside risks to the economy.

We expect global equities to be supported by solid corporate earnings and equity valuations that are more reasonable, but market returns are likely to be more limited for the rest of the year against the backdrop of rising volatility. Thus, we have a neutral allocation to global equities and assign an underweight rating to bonds in the current rising interest rate environment.

The writer is Maybank Singapore's head of Private Wealth and Products and Investment Solutions

> "Trade imbalances are not inherently good or bad per se, and there is no straightforward relationship between trade imbalances and the state of the economy and the labour market. They are just a reflection that the Americans are consuming more than it produces."
>
> Alice Tan

Which fund should you invest in?

Here are tips on how to pick a suitable fund. BY WONG MENG KEET

FUNDS are an increasingly popular investment instrument. At UOB Private Bank, for instance, the amount which our clients have invested in funds rose more than 100 per cent in 2017 from the previous year. Their popularity stems from the exposure they offer to investors to a wide range of markets, asset classes and strategies, and their usefulness in diversifying a portfolio.

Given the wide selection of funds available, how should an investor choose one that will meet their investment goals?

■ Understand the fund strategy and be prepared to stay invested over the long term.

Choose fund strategies that you understand. For example, there are funds that invest with a bias towards growth and technology companies, which may appeal to investors who see the technology sector outperforming over the next few years.

We also advise clients to hold a fund investment for at least three to five years so that they can ride out changing or challenging market cycles.

■ Look at the returns yielded since the fund's inception date.

We advise investors to look at a fund's full return history. If you are presented with returns from a cherry-picked time period, such as a specific year without any explanation on why that year was used, ask for more information on the history of the fund.

And when comparing returns between funds, use a common time period to ensure you are comparing the performance of funds in the same market conditions.

■ Know your fund's Total Expense Ratio (TER).

Many fund factsheets show only the fund's management fee structure. But you should be looking at the TER, which shows the amount required to cover the fund's total annual operating expenses.

This is expressed as a percentage of the fund's average net assets and can include various operational costs such as administrative, compliance, distribution, management, marketing, shareholder services and record-keeping fees. Consult your financial adviser if you are unable to find it.

■ Appreciate the differences between index funds, alternative investment funds and liquid alternatives.

Index funds seek to replicate an index, such as the S&P 500, rather than try to beat a benchmark. As index funds are often traded on stock exchanges, they are commonly known as Index Exchange Traded Funds (ETFs).

When evaluating an index fund, you should always consider the total costs of holding the fund, such as its expense ratio, bid/ask spread and tracking difference.

The tracking difference is the difference in return between the ETF and its underlying index over a given time period. The tracking difference can be caused by a wide range of factors including rebalancing costs, management fees, cash drag, securities lending and tax treatment of the underlying income in the fund.

Another factor is the use of an optimisation strategy, where the fund comprises a representative sample of the index, instead of all the securities that make up the index.

The bid/ask spread is the difference between the price a buyer is willing to pay for an asset and the price a seller is willing to accept for it.

Liquidity of the index ETF is also important, so select ETFs from large, established index fund providers. Beware of niche index strategies as these funds may have higher expense ratios, lower liquidity and higher volatility. For instance, broad-based indices such as the S&P 500 and Topix are generally less volatile than say a niche index strategy fund such as a specific commodities-focused index.

Alternative investment funds include non-traditional strategies such as hedge funds, private equity, real estate, managed futures, commodities and derivative contracts. They are more complex and much more difficult to evaluate as reliable performance data and peer comparisons are often unavailable to the public.

When considering such funds, find out what and how a specific alternative investment contributes to your portfolio. For instance, does the fund have a lower correlation to the broader markets, such as the stock markets, or reduce the overall volatility of your portfolio? How does it enhance portfolio returns? Does the investment have a strong track record of generating returns over market cycles? Are there hidden risks, such as excessive leverage, that are being used to generate attractive returns? Are the redemption terms of the fund supported by the liquidity of the underlying portfolio investments?

Ensure that you have adequate answers to all these questions before investing or seek the help of a professional financial adviser.

Liquid alternatives are mutual funds or unit trusts that use alternative investing strategies similar to those used by hedge funds, but with higher liquidity. There are now more liquid alternatives emerging from other asset classes such as private real estate, private infrastructure, private debt and private equity.

Looking ahead, we see opportunity in liquid alternatives as they are constructed to provide investors with the benefits of a traditional alternative investment yet remove some of the main disadvantages including long investment lock-up periods. For instance, some liquid hedge fund strategies offer daily liquidity and some liquid private market investments have monthly liquidity.

The main attraction of a liquid alternative over a traditional alternative investment is its lower investment minimum and better liquidity. But some investors may still prefer traditional alternative investments as they feel liquid alternatives do not offer full diversification benefits or the full upside potential of the traditional fund. Again, we advise you to understand the trade-offs and to choose the instrument that is better aligned to your long-term investment objectives.

The writer is head of Managed Product Solutions, UOB Private Bank

US President Donald Trump pushed forward with implementing trade tariffs on the first US$50 billion of imports from China. Chinese President Xi Jinping responded with US$50 billion in tariffs. PHOTO: REUTERS

Surprise! US runs 'trade surplus' with China

How can there be a trade war between the US and China when there's 'trade surplus'? BY PRASHANT BHAYANI

TRADE tensions between the US and China have evolved since we last wrote on this a few months ago. There was a false sense of relief after Treasury Secretary Steven Mnuchin had stated that the trade war is on hold.

Many believed that President Donald Trump would be convinced by additional purchases of petroleum, agricultural products, and other goods which would cut the US trade deficit with China on the headline level.

However, in recent weeks, the Trump administration has pushed forward with implementing trade tariffs on the first US$50 billion of imports from China. Important to note, on July 6, the first US$34 billion in tariffs goes into effect and in August, an additional US$16 billion. China has responded in kind with US$50 billion in tariffs.

What subsequently unnerved markets was President Trump's announcement of an additional US$200 billion in tariffs on imports and him threatening to double the amount of tariffs if China issues counter-measures. In addition, trade between Europe and the US dwarfs that of US and China, and the subject of car tariffs was also brought up.

What is interesting here is the strong negotiating position of President Trump at the moment. Thus far the scenario illustrates his "Art of the Deal" acumen.

■ The US economy is outperforming due to tax cuts which was President Trump's biggest accomplishment last year and shrewdly timed ahead of trade negotiations. The economy is also experiencing falling unemployment and still facing moderate inflation.

■ Furthermore, the global equity market has made its clear verdict thus far, regarding which country is more impacted by trade tensions. The US stock market has hardly been affected while the China domestic stock markets are turning bearish and Europe underperforming.

■ At the same time, China's economy is undergoing a targeted slowdown with a decline in the shadow banking system and reforms being a crucial key component in Chinese President Xi Jinping's five-year plan.

■ After the summit between North Korea and the US, China did not receive any favourable dealings on trade. In fact the rhetoric from the US intensified.

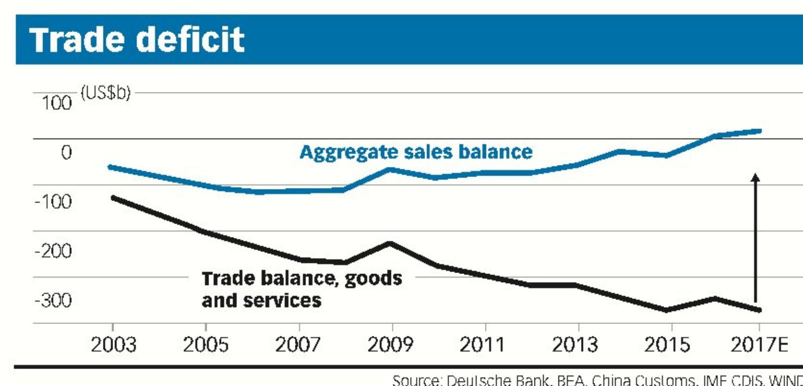
■ Finally, this is one of the few areas where the Democrats and Republicans are unified, again underestimated by consensus. It doesn't appear China or the rest of the world was expecting this scenario. In the past weeks, we have seen China react with a reserve rate requirement cut and some weakness in renminbi as safety valves to support the slowing economy and hedge some downside risk.

"The probability of a recession globally is still low for the next 12 months and the biggest surprise could be how long the US cycle turns out to be."

Prashant Bhayani

But is it just about the deficit anymore? This has also raised the question to what extent national security and Made in China 2025 are also impacting negotiations.

The White House has seen a noticeable increase in national security and trade hawks gaining stature, with individuals such as Robert Lighthizer, Peter Navarro and Mike Pompeo all gaining prominence. It also underlies the concerns on intellectual property protection and forced technology transfer which have existed for years when the West deals with China.



Source: Deutsche Bank, BEA, China Customs, IMF CDIS, WIND

These are fears which have been long lasting and are worsening as western governments are becoming increasingly vigilant and concerned. However, this is now resulting in a number of countries in Europe and Australia setting new rules for reviewing foreign investment from China and other countries.

In the latest news, the US will continue to use the existing CFIUS (Committee on Foreign Investment in the United States) to review foreign investments with respect to national security grounds rather than expanding into direct, targeted rules against countries including China.

This was a small positive, but the committee until recently rarely ruled out takeovers due to national security, which is set to change. What is clear is that we need progress here but in absence of that it could restrict foreign investments.

This is not encouraging in the long-term but frankly a result of the current environment. Don't expect quick wins – clearly large deals in sensitive sectors in Europe or the US look unlikely in the short-term.

What are the next phases of the trade negotiations?

While many tariffs have been announced, the implementation lags the announcements by months allowing time for talks. The impact of an all-out trade war would be costly for both parties, though however, they are probably less than assumed by the market. The impact on GDP in the US and China could be less than 1 per cent.

However, it is important to keep in mind as discussed, the trade statistics are a terrible indicator of trade competitiveness. For example, any goods produced and sold in China are not counted in trade statistics. That means Apple (and numerous other US multinationals) who sells US$48 billion in China and 310 million phones in 2016, do not show up in trade statistics at all.

Surprisingly, if one adds back the sales of these US subsidiaries operating in China (which incidentally have been growing at an 18 per cent annualised pace and have been the fastest area of the growth in trade between the two countries), the US$375 billion trade deficit would astonishingly flip to a "trade surplus" with China (NOT a deficit). In fact, the US runs a trade surplus globally on the same metric.

This means that for the US stock market, which until now has been detached from trade tensions, the US multinationals shares could finally see a sell-off ahead of the important mid-term elections in the US if there is no resolution.

At the same time, China would like to contain the damage to its own economy and gradually open. Therefore, there is still the possibility of a deal but the risks have increased.

However, its timing has likely been pushed out over the summer and could still take place in the autumn.

The crucial uncertainty is how long the trade tensions will last. If it extends beyond early autumn, there could be an impact on global confidence, capex, and growth.

Otherwise, this provides an opportunity to cautiously add to selected exposure to China, Europe, and selected US equities but patience will be key. The probability of a recession globally is still low for the next 12 months and the biggest surprise could be how long the US cycle turns out to be.

■ The writer is chief investment officer, Asia BNP Paribas Wealth Management

How data revolution is changing the world of asset management

Big data and AI remain extraordinarily fertile grounds for experimentation. BY MARINA NITSA VIERGUTZ

SOMETIMES it feels as if our computers know us better than we know ourselves.

Amazon seems to know what we may want to buy based on our previous purchases. Google completes our search sentences before we are done typing them. Facebook identifies our friends in pictures through face recognition. Touching videos of our children can be created at a click.

Technology has revolutionised our everyday lives. What has enabled all the above developments are the gargantuan amounts of data being generated every day – some 2.5 quintillion bytes worth. And 90 per cent of the data available has been created only over the past two years.

The abundance of data is also enabling new developments in machine learning or artificial intelligence (AI). These terms describe a process that allows computers to identify repeatable patterns without human intervention.

Recent developments in machine learning suggest that technological developments have advanced significantly. In 2017, Google's AlphaGo program defeated the world No 1 player of the board game Go, previously regarded as too complex for a machine to play well.

Machines powered by AI have also started to beat humans at poker. This is an impressive feat as decisions in poker are made with imperfect information, requiring an accurate interpretation of human behaviour.

Technology is also changing the world of hedge funds. Exponentially large amounts of data, combined with the ever increasing processing power of computers, are giving rise to more systematic managers that are adapting big data/AI in their investment process.

Systematic funds use various techniques to synthesise information more efficiently. For example, natural language processing can interpret social media flows to determine if a piece of news is positive or negative.

Satellite images of cars at a mall carpark can be used to predict sales numbers. Weather patterns can be analysed to predict crop prices. An increasing number of managers are applying AI and big data to optimise their trading costs, to improve overall performance.

Flows into systematic funds have accelerated in recent years. Systematic managers now handle about US$500 billion in assets – triple the amount in 2005. Assets invested in systematic strategies account for about 20 per cent of assets under management for the entire hedge fund industry.

Recent developments in machine learning suggest that technological developments have advanced significantly. PHOTO: AFP

The rising interest in systematic managers is not surprising, as they add substantial benefits to portfolios. Systematic managers tend to be liquid and can offer investors diversification, due to a low correlation of strategies to traditional asset classes.

As their strategies are rules-based, emotional biasness is eliminated from investing, potentially giving systematic strategies an edge over discretionary managers. Steadier returns can be achieved especially during crises. For example, a subset of systematic funds, known as commodity trading advisors, delivered more than 30 per cent returns during the financial crisis of 2008.

But there are risks to consider. Relying purely on computers can be dangerous as data nuances can be misinterpreted. Computers might also be unable to analyse the bigger picture, such as political shifts and changes in economic regimes. As such, the majority of systematic hedge funds still use substantial human oversight.

Another issue is that some tech-savvy firms can also be less transparent with their investors. It is important to partner with someone who can adequately analyse and monitor these managers.

Systematic fund managers who can extract the maximum advantage from the rise of big data and AI in investing will be those who are larger and more established. These managers possess the capital to acquire and analyse vast amounts of data.

They are also blurring the lines between science and investing. Many hire academics from top universities rather than traditional finance professionals. Systematic hedge fund employees might, for example, have worked on the machine which defeated world chess champion Garry Kasparov or on Google search engines.

Ultimately, the data revolution is changing the world of asset management. Big data and AI remain extraordinarily fertile grounds for experimentation, in the relentless quest for outperformance.

After all, if you can predict the next chess move or the next word in a sentence, you might also be able to predict the next price move in financial markets. It is worth taking a bite, or shall we say, a byte.

■ The writer is vice-president, Hedge Fund Specialist, Credit Suisse Private Banking Asia Pacific

DEEP ASIAN EXPERTISE WITH A GLOBAL REACH

Arnaud Tellier, Head of Wealth Management, South East Asia at BNP Paribas, talks about the bank's growing South East Asian footprint and how it is evolving to meet the needs of clients.

> *"We are targeting markets where we already have a strong corporate banking franchise. South East Asia is a strategic focus for us, and we are stepping up initiatives to tap into the wealth pool here."*

Arnaud Tellier
Head of Wealth Management, South East Asia
BNP Paribas

South East Asia is widely acknowledged as the world's next growth engine. Taken together, the 10 markets that make up the Association of Southeast Asian Nations (ASEAN) are now the sixth-largest economy in the world and will become the fourth-largest by 2030, after the European Union, United States and China.

This has been accompanied by rising demand for wealth management services, as the region's growing population of entrepreneurs and family enterprises seeks increasingly bespoke, digital-driven advice.

This means wealth managers need to develop deep regional expertise and evolve to meet the shifting needs of South East Asian clients, says Arnaud Tellier, Head of Wealth Management, South East Asia at BNP Paribas.

GROWING REGIONAL PRESENCE

"The Asian market is immense and rapidly growing which presents many opportunities for private banks. Our development process is measured and gradual, so we can position ourselves for long-term sustainable growth, "says Mr Tellier.

The European international banking group grew its assets under management in its Asia wealth management arm by more than 15 per cent annually from 2012 to 2017, on the back on of strong economic momentum in the region.

It has an established presence in Hong Kong and Singapore in addition to a long-standing onshore presence in China, India and Taiwan, with Indonesia the next step and other countries under consideration.

"We are targeting markets where we already have a strong corporate banking franchise," adds Mr Tellier. "South East Asia is a strategic focus for us, and we are stepping up initiatives to tap into the wealth pool here."

BESPOKE SERVICES

BNP Paribas Wealth Management has moved beyond structured products to provide more advisory services in South East Asia, Mr Tellier says.

Effective advisory services are multi-dimensional, Mr Tellier says. "Advisory means understanding our clients' needs and proposing the right ideas, products and asset allocation strategies. Discretionary management is the ultimate stage of our services."

The bank recently launched its contractual advisory service called myAdvisory where it charges an all-in flat advisory fee. No additional fees will be levied if the clients invest in equities, bonds or funds. It also commits to a high level of tailored service, for example, regular interactions with an investment specialist and quarterly portfolio reviews.

"This advisory model enables the client to choose an asset allocation, having had the opportunity to consider recommendations derived from our CIO office. The client still makes the final investment decisions," adds Mr Tellier.

DIGITISATION WITH A HUMAN TOUCH

The wealth management industry is undergoing a digital transformation and BNP Paribas Wealth Management is increasingly integrating technology into its services.

"Our new digital solutions empower relationship managers to deliver products and services by offering a seamless user experience across multiple channels." Mr Tellier says.

Even as the bank adopts new technologies, however, it remains focused on hiring relationship managers who can cultivate a deep understanding of clients and who work in their interests.

Just as critical is protecting clients' interests by continuing to strengthen our infrastructure and control systems, and to maintain the highest level of ethics, says Mr Tellier. "We are committed to putting the client at the center of what we do."

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BNP PARIBAS
WEALTH MANAGEMENT

The bank for a changing world

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CRÉDIT AGRICOLE GROUP

> "At Citi Private Bank, we recognise that many of our clients are "global citizens" – explorers of the future, creating new markets, opportunities and immense wealth in their wake. They need a financial partner who thinks and acts as globally as they do. With more than two centuries of helping clients grow their wealth and preserve their legacies across borders, we can benefit clients by being their gateway to the world."

Steven Lo
Region Head - Asia Pacific
Citi Private Bank

"Arguing against globalisation is like arguing against the laws of gravity," said former United Nations Secretary-General, Kofi Annan.

In the world of private banking, an unmistakeable trend is developing: the portfolios of the wealthy – especially in Asia – are going global and at an unprecedented pace.

"Private Banking for Global Citizens" is our ethos when serving the needs of clients who are instinctively global in their behaviour, aspirations, and family and business presence.

The multi-national behaviours of wealthy families are driven by numerous factors:

1. Their businesses continue to expand beyond their home countries and regions to the rest of the world.
2. Their families are forming new branches in different locations around the world, with children educated overseas, and family members settling and running business units in other countries.
3. Lifestyle choices, including having second residences for different times of year.
4. Dual nationality or emigration purposes.
5. Diversification of wealth and risk mitigation.
6. Real estate investment, which is dear to many wealthy families' hearts and is a significant portion of their portfolios.

The Private Bank offers such clients a dedicated *Global Client Service*, which facilitates their private banking needs in one or more regions beyond their own.

Citi's global client proposition has been more than 200 years in the making. Since 1812, Citi's global footprint has expanded in parallel with global trade. Citi now has a physical presence in 100 of the world's 195 nations and jurisdictions and does business in 160. Citi banks 80 percent of Fortune Global 100 companies, while the Private Bank serves more than a quarter of the world's billionaires.

The following reasons highlight the likelihood of continued globalisation of wealth despite the rhetoric of trade wars in today's uncertain political climate.

- Seventeen Chinese companies held IPOs on NASDAQ in 2017, up from seven in 2016. In total, more than 100 Chinese companies are listed on NASDAQ. Many of the founding owners of these companies are already or soon to be global clients.
- Asian investors accounted for 52 percent of the record USD1.62 trillion of capital deployed for all kinds of property investments globally last year, which topped 2016's USD1.43 million. Asian buyers were also responsible for 46 percent of all cross-border investments.
- In 2017, Chinese buyers accounted for 14 percent and 20 percent of foreign buyers of property in the United States and the United Kingdom respectively.
- The US property market drew USD19.8 billion of foreign investment in the first half of 2017, almost half originating from Asia.

Global clients of the Private Bank receive dedicated service from a private banking team in each of the additional regions in which they open accounts. The local private banking team provides the global client with enhanced access to local investment, banking, financing, and other opportunities. These could include loans against commercial or residential properties, capital markets trading, participation in alternative investments, or wealth planning services.

Private Bank

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DBS: Asia's Best Private Bank

DBS Private Bank has emerged as a leading player in managing the wealth of ultra-high net worth (UHNW) individuals and families in Asia and beyond. Leveraging its pool of wealth management talent, and backed by the resources of DBS Group, it offers clients a wide range of services and solutions to meet their exacting needs – from traditional banking and wealth management services to investment banking and bespoke fiduciary solutions.

Reflecting its market leadership, DBS Private Bank scored a hat trick and was honoured Asia's Best Private Bank by FinanceAsia over three consecutive years.

As a bank rooted in Asia, DBS Private Bank can connect and present exclusive opportunities in the region to global clients, along with the assurance of banking with Asia's safest bank. DBS's capital position, as well as its 'AA-' and 'Aa1' credit ratings, are among the highest in the world.

DBS is also recognised as the world's best digital bank by Euromoney in 2016 and 2018, with its DBS iWealth® platform being awarded first place in the category of Behind the Login of Wealth Management 2018 by Swiss research company MyPrivateBanking.

Connecting global clients to Asia's opportunities

Serving UHNW clients globally, Chetan Bhatia, Managing Director and Market Head for Europe, the Middle East and Africa (EMEA), believes the bank has the expertise to serve this growing client segment effectively. "We are an Asian bank with coverage in key regional markets. International clients are coming to us because we have deep local insights and can add value to their portfolios."

He notes that since Asian markets are relatively less developed and can be nuanced, clients appreciate the hand-holding that DBS provides. This helps them navigate the vagaries of Asia and is what sets DBS apart from international banks in the region.

As a full-service banking group, DBS Private Bank can also present private equity deals, and advise clients seeking strategic partners.

"Growth is fueling private equities in Asia. Companies in this space are scaling their businesses," he says, "and with our network, we can connect them to deals that our competitors may not have access to."

Peace of mind with actively managed portfolios

DBS Private Bank's Discretionary Portfolio Management (DPM) actively manages portfolios on behalf of its clients. Unlike traditional ways which require client involvement, DPM leaves the day-to-day investment choices to professionals based on pre-determined mandates.

Executive Director and Head of DPM, Christophe Marciano, describes how DPM works. "We set a target with clients, whether it's a time frame, a retirement goal, or a specific level of return. We then manage their funds to help them reach that goal."

His team leverages the investment expertise of the private bank to construct portfolios that are rebalanced over time to reflect changing market conditions. DBS's discretionary business has grown over the years, tripling the managed assets and increasing clients by five-fold in two years.

Senior Director and Lead Fund Manager for DPM, Eric Choe, attributes this to the mandates available to clients of different risk profiles.

He adds, "While some of our competitors adopt aggressive approaches, we construct portfolios that form a safer, more stable bucket of our clients' money."

Tailored solutions that adapt to evolving needs

As a seasoned private banker looking after UHNW individuals and families, Carole Lum, Managing Director and Senior Client Partner, has witnessed how the bank has evolved to meet changing clientele needs. Given the growing interest among clients in recent years, DBS Private Bank has helped them set up family offices to manage their money more efficiently.

Understanding that clients are increasingly discerning and seek tailored solutions, DBS Private Bank launched the Managed Advisory Investment Service (MAIS), a service giving clients unprecedented levels of customisation.

"Asian clients typically want control over decisions; what they buy, what they sell and when to do it. With MAIS, they have that control, down to the choice of stocks," Carole explains. "It's like having a personal employee. Clients are assured that someone is actively watching their portfolio."

Being part of the larger DBS family also allows the private bank to present a one bank solution, capable of meeting both family and business needs. "Whether it is business or private, we are there for our clients. We want DBS Private Bank to be top of mind when they are deciding which bank they can trust their money with," says Carole.

> **"Our deep insights and coverage of key regional markets help international clients access Asia's vast opportunities."**
>
> **Chetan Bhatia,**
> **Managing Director,**
> **Market Head (EMEA)**

Left to Right: **Carole Lum**, Managing Director and Senior Client Partner, **Eric Choe**, Senior Director and Lead Fund Manager for DPM, **Christophe Marciano**, Executive Director and Head of DPM, **Chetan Bhatia**, Managing Director and Market Head for EMEA

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The DBS Private Bank Advantage

- Voted Best Private Bank in Asia by FinanceAsia in 2016, 2017 and 2018.
- Named the World's Best Digital Bank by Euromoney in 2016 and 2018. DBS iWealth® gives clients the power to trade, invest and access insights at their fingertips.
- As a full-service Asian bank, DBS taps on the full capabilities of the group to give clients exclusive opportunities and connections in the region.
- From Discretionary Portfolio Management to Managed Advisory Investment Scheme, the bank offers services customised to its clients' needs.
- DBS has been voted "Safest Bank in Asia" for nine consecutive years from 2009 – 2017 by Global Finance. Its 'AA-' and 'Aa1' credit ratings are among the highest in the world.

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Deutsche Bank
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Deutsche Bank Wealth Management: it starts with a conversation

Asia's wealth market is growing fast and private banks have been quick to offer their services. Amid this rapid growth, Deutsche Bank Wealth Management and its approach continue to stand out.

The principle behind Deutsche Bank Wealth Management's service is simple: to provide clients with seamless access to all the support they need from a single source. From day one, these clients are connected to Deutsche Bank's global capabilities and entire suite of services spanning wealth and asset management; capital markets; corporate finance; and global transaction banking.

Wealth in Asia is younger and typically entrepreneurial, and there is often an overlap between clients' families and operating businesses. The one-bank approach is designed to address these needs. Using an open-architecture model, which connects clients to a broad suite of investment tools and products as well as a leading capital markets institution, the bank is able to innovate with tailored solutions to meet specific needs.

From its origins in Germany to its place as the leading European bank at the heart of Europe's largest economy, Deutsche Bank Wealth Management remains focused on protecting and growing the wealth of its clients and their families. The bank is well-positioned to support its Asian clients using its global network of experts and deep local heritage.

Deutsche Bank has roots in Asia stretching back nearly 150 years. Today, its wealth management business has a global presence in more than 80 cities and 18 countries and reaches more than 100 markets. In Asia, it has been strengthening its entire ecosystem by investing in world-class talent and digital technology – a testament to the bank's commitment to growth in the region.

What matters to our clients, matters to us. We want to have a positive impact for them, both personally and professionally. That starts with a conversation. Let's talk.

Lok Yim
Head of Deutsche Bank Wealth Management
Asia Pacific

Understanding what matters to you is the foundation of everything we do. We know that this goes well beyond your investments, so our advice and strategies do too.

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A one-stop shop for Asia's movers and shakers

Business owners in Asia are keen to tap on vast growth opportunities in the region - and are also concerned about preserving a legacy for the next generation. HSBC's holistic approach to personal and corporate banking can help take care of these increasingly complex needs, says Philip Kunz, Head of Global Private Banking, Southeast Asia, HSBC Private Banking and Alan Turner, Head of Commercial Banking, Singapore, HSBC Limited.

From Left: **Philip Kunz**, Head of Global Private Banking, Southeast Asia, HSBC Private Banking; **Alan Turner**, Head of Commercial Banking, Singapore, HSBC Limited

Global reach, Asian perspectives

Growth in Asia is taking off and the needs of companies in the region are evolving in tandem. "Asia is growing at a much faster rate than other markets, a trend that is going to continue," says Mr Turner. "The amount of wealth creation relative to other parts of the world is strong," he notes, adding: "We see a desire among clients to seek support and advice on how to take advantage of the opportunities in ASEAN and the broader Asian market."

This includes advice on how clients should structure their companies for overseas growth - for example, a Singapore-based company keen on expanding into Malaysia and Indonesia might be keen to find out how best to manage wealth generated from these new markets.

HSBC has a long history in the ASEAN region - a presence in Singapore, Indonesia, Malaysia, the Philippines and Thailand since the 19th century. This long-standing presence means the bank can offer clients unparalleled depth and range of banking services.

Mr Kunz says HSBC's deep expertise in Asia allows the bank to offer sophisticated solutions to clients with their increasingly demanding needs.

"HSBC is in a unique position - we are deeply integrated into local communities and long-established in Asia. We truly understand the backdrop of Asian culture, the values by which enterprise owners run their businesses and how they want to leave legacies for generations to come," he adds.

In addition to deep knowledge about Asia, the bank is also highly connected globally - it has a presence in over 60 countries which represent 90 per cent of the global economy.

"An important part of the HSBC story is the international reach we have," says Mr Turner. "We have a strong presence in Asia and beyond, a unique capability that we are able to bring to business owners in Singapore and the region."

Holistic, bespoke approach to clients' needs

The bank's international reach and deep local expertise set it apart from the competition and allow it to offer a full suite of integrated banking services to clients.

"Most private banking players outside of the regional or domestic banks don't actually have a commercial offering at all," says Mr Kunz.

He adds that the private and commercial banking arms work closely together to offer enterprise owners a holistic suite of services - especially when it comes to succession planning and building legacies.

"Private and commercial banking go hand in hand. We identify the clients' needs on both sides of the balance sheet - what the company does, who are its competitors, what is it exposed to, and how we can help."

"What sets us apart is our ability to help commercial clients deploy excess cash through the private bank for long-term planning and long-term saving for the next generation."

This process does not only involve liquid, bankable assets, Mr Kunz notes. "There are also questions like - what do I do with the family-owned company which has many shareholders?"

Engaging with Asian companies often means "talking to the business leader and owner at the same time", Mr Turner adds.

"One of the major differentiators for companies banking with HSBC is that that anyone who is a client with the commercial bank has a dedicated relationship manager," he notes. This relationship manager works closely with counterparts in the private bank.

"This proposition is different from many other banks, where you might be placed in a large portfolio which is serviced instead of proactively supported," adds Mr Turner.

In practice, what this means is that a company keen on expanding regionally - for instance, beyond Singapore shores - might discuss growth plans and loans with the commercial bank, with surplus cash generated passed on to the private bank as the company moves along its growth journey.

This collaborative approach distinguishes HSBC's offerings, says Mr Kunz. "The needs of private banking clients have been growing year by year - the need for exit know how and specialist skills has increased tremendously," he notes.

"There is no individual that commands the skillset across all these needs - which could range from a simple credit card application to sophisticated setups for philanthropy and expanding businesses overseas.

"This team approach is what differentiates us from others."

Going digital - with a human touch

Banks around the world are going digital and HSBC is no exception. The use of big data and artificial intelligence is set to result in "amazing changes as to how we approach clients and deploy our people", Mr Kunz says.

But even as banking processes are transformed by technology, client relationships and the human touch remain vital.

"Many banks see relationship and technology as either-or. For example, they might have a digital platform that allows clients to self-serve. But we believe technology needs to be complemented with the human touch," says Mr Turner. While much of the bank's work is underpinned by leading technology, "it's not our client's job to be an expert in commercial or private banking. It's our job to distil all the information to best suit our clients' needs", he notes.

"A business cannot talk about major events in its life with a machine. An owner cannot talk about passing the business to the next generation to a machine. Investment in technology is vital and central to HSBC's recently announced US$15bn investment programme in the next three years, but the human touch still underpins our commercial and private banking approach," Mr Turner adds.

The impact of technological change on private banking is still playing out, says Mr Kunz.

"How and what degree are private clients readily using digital offerings? No one really has the answer yet. It's a very interesting area but it's not quite what everyone thinks."

Mr Kunz thinks it will be some time yet before private banking goes fully digital. "The personal touch will continue to be of paramount importance - which involves the interpretation of what all this information really means.

"But that doesn't mean we can stand still. For example, with family offices, those capabilities are absolutely needed - access to information as and when they want, on the gadgets they prefer. The next step involves delivering information to clients whenever and wherever they want to."

> **We have a strong balance sheet with a footprint second to none. Where trade is, HSBC is. And where trade is, there are companies that are privately-owned, which means there is surplus cash to be taken care of. HSBC can come in to take care of this for future generations.**
>
> **Philip Kunz,**
> Head of Global Private Banking, Southeast Asia, HSBC Private Banking

> **One of the major differentiators for companies banking with HSBC is that that anyone who is a client of the commercial bank has a dedicated relationship manager. This proposition is different from many other banks, where you might be placed in a large portfolio which is serviced instead of proactively supported. We are set up to engage with businesses and business owners - working hand in hand with the relationship managers in the private bank.**
>
> **Alan Turner,**
> Head of Commercial Banking, Singapore, HSBC Limited

HSBC Private Banking

Together we thrive

Maybank Private Grows from Strength to Strength

Maybank Private has seen a surge in its client base and its growth is gaining pace.

Maybank started its Private Wealth business five years ago, and now has a strong platform that meets the needs of its clients across the region.

Alvin Lee, head of Group Wealth Management and Community Financial Services Singapore, attributes the fast business growth to a strategy that emphasises the importance of synergising capabilities across all business segments to promote cross-selling.

As a universal bank, Maybank Group has over 50 years of experience in corporate and consumer banking, investment banking, asset management, Islamic banking, insurance and takaful, and venture capital. This gives its wealth management arm access to a potential base of over 50,000 high net worth individuals (HNWIs).

Being the only bank with onshore presence in 20 countries including all 10 Asean countries, Maybank Private offers a unique value proposition by leveraging its retail branch network in Asean, Hong Kong and London to identify and refer potential HNWIs. To this end, Maybank Private established a robust client referral framework in order to tap the Group's existing business relationships and network.

"Our Relationship Managers (RMs) adopt a regional mindset to service their clients. Boundaries are broken down and our managers are empowered with the capability to book clients in any of the three booking centers – Singapore, Malaysia and Hong Kong. Clients have the convenience and freedom to invest in a timely manner anywhere in the world without the need to liquidate any assets in advance. As a result, clients benefit from a truly regional value proposition," says Mr Lee.

London Desk

In 2016, the bank set up its private wealth centre in London, reflecting a growing number of HNWIs from Southeast Asia in the UK.

"Even with the uncertainty around Brexit, UK still appeals to clients as a destination for relocation and education," says Mr Lee.

"The onshore presence of our private wealth London office and RMs ensure all our client's needs are taken care of seamlessly."

Driving Service Excellence

Many of Maybank's RMs were groomed internally to take on a higher professional role.

Mr Lee remarked, "With career progression, the RM's that clients are familiar with tend to stay on with the bank, so there is business continuity. This instills a sense of confidence in the Maybank brand."

Another key strategy is the bank's commitment to provide delightful customer experience where RMs are given in-depth service training and receive advisory support from a full-fledged research team.

With opportunities abound in the region, wealth management business is expected to accelerate. To bolster talent development, Maybank Wealth Management Academy was set up in June 2018. The Academy, in partnership with Wealth Management Institute of Nanyang Technological University Singapore, provides accredited courses for 1,200 employees across Maybank's three client segments of Private, Premier and Privilege.

Mr Lee said, "We want to be a key partner in our clients' wealth planning journey and ensure we have in place a strong focus on competency and continued education for our RMs so that they can develop the requisite mastery in wealth and asset management that will be relevant to our clients."

Looking ahead, Maybank Private will continue to strengthen its product and service offerings to better fulfil clients' expectations, and deepen its business presence in existing markets as well as find opportunities to foray into new markets.

"We want to be a key partner in our clients' wealth planning journey and ensure we have in place a strong focus on competency and continued education for our RMs so that they can develop the requisite mastery in wealth and asset management that will be relevant to our clients."

Alvin Lee
Head of Group Wealth Management and Community Financial Services Singapore

"Wealth Business is an integral part of Maybank Singapore's strategic business. Currently it contributes 23% to Maybank Singapore's fee income and we are expecting to double that by 2020."

Dr John Lee
Country CEO and CEO of Maybank Singapore

Maybank has received some of the most prestigious accolades by the world's top organisations because we always put our clients first. It is the fundamental principle behind everything we have done for more than half a century. Lending our financial srength and expertise to turn your inspiration into reality.

EUROMONEY PRIVATE BANKING SURVEY AWARDS 2018

- Best Private Banking Services Overall in Malaysia (8th time)
- No. 1 in Investment Banking Capabilities
- No. 1 in Innovative Technology – Client Experience

GLOBAL FINANCE AWARDS 2018

- Best Private Banking in Malaysia
- Best Private Bank for Islamic Services

BENCHMARK PRIVATE AWARDS 2017

- Investment Advisory Services – Gold
- Human Capital Development – Gold

PRIVATE BANKER INTERNATIONAL GLOBAL WEALTH SUMMIT & AWARDS 2017

- Outstanding Private Bank for growth strategy – Organic
- Most Innovative Business Model
- Outstanding Wealth Management Technology Initiative – Back Office

ASIAN PRIVATE BANKER AWARDS FOR DISTINCTION 2017

- Best Private Bank in Malaysia (Domestic)

IT'S NOT WHAT YOU LOOK AT THAT MATTERS
IT'S WHAT YOU SEE

Maybank | PRIVATE

Some see sand.
Someone saw fibre optics.

At Maybank Private, turning your inspiration into reality is the journey we travel together. Spanning key ASEAN countries and financial markets, with Maybank Wealth Management you will always have a partner to help you realise your vision. Giving you more time to spend on what matters most.

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PRIVATE BANK

Making Its Mark In The Industry

"UOB Group is very well-established in Asia. Being rooted in Asia, we are able to appreciate investment opportunities in the region and offer our clients a range of investment opportunities and solutions suited to Asian needs."

Ong Yeng Fang
Managing Director
Head of UOB Private Bank

In just four years, UOB Private Bank has established itself as a leading player in the regional wealth management market.

An Award-Winning Solution

For a relatively new player on the private banking scene, UOB Private Bank is making its presence felt. Just four years after the bank began transforming its private bank into a full-service offering for the region's high-net worth individual segment, it has already been recognised by the industry for its client focus and investment advisory services.

In 2016, UOB was named Best Private Bank in Southeast Asia at the *WealthBriefingAsia Awards 2016.* And last year, it was awarded the Gold for Risk and Compliance, and Silver for Investment Team Of The Year And Investment Advisory Services, at the *Benchmark Private Wealth Awards 2017* and Excellence in Private Banking Singapore at the *Asian Private Banker Awards 2017.*

These accolades are underpinned by the private bank's performance. For instance, its assets under management for its Discretionary Portfolio Management (DPM) service tripled in 2017 on a year-on-year basis, bringing the Bank's total Assets Under Management (AUM) to S$104 billion.

Transforming to Serve our Clients

UOB Private Bank's transformation was led by its Head, Ong Yeng Fang, and Chief Investment Officer, Neo Teng Hwee, when they joined in June 2014. The key priority then was to build an investment platform and acquire the expertise that could help clients grow and preserve their wealth.

"We changed our investment platform to open architecture as it enables us to offer clients a wider range of solutions. We also brought on board new talent to serve the increasingly complex needs of our clients," says Ms Ong.

Today, UOB Private Bank is able to offer the best solutions sourced from its in-house teams as well as external parties. The range of services it provides span investment and wealth planning, to specialised solutions such as aircraft financing or foreign exchange derivatives.

Another pillar of the private bank's transformation is having the right people in place to deliver the solutions to meet client demand. While competition within the industry for quality senior client advisors and product specialists remains intense, the task has become easier for UOB Private Bank as it builds a track record of success.

"We have grown quickly and gained industry recognition which is also drawing more talent to the bank," says Ms Ong.

Yet, as the private bank continues to grow, it remains focused on bringing on more senior client advisors who share the bank's values and can contribute to a rapidly expanding franchise in Asia.

A Customised Investment Approach

At the heart of UOB Private Bank's investment philosophy is a focus on the client's long-term investment outcome, explains Dr Neo. This involves investing based on the client's risk-appetite and investment objectives. It also translates into an asset allocation process that is extremely active and focused on risk management.

This means being prepared to significantly adjust asset allocations to adapt to the changing external environment. "We track the performance of all our investment recommendations across all asset classes to ensure that our clients receive value from the investment advice they receive from the bank," says Dr Neo.

The UOB Group Advantage

Being part of the larger UOB Group has helped to accelerate UOB Private Bank's growth. It has been able to tap on UOB's retail banking, corporate banking and investment banking capabilities to offer its clients investment solutions that help them manage their personal and family, as well as business needs.

"UOB Group is very well-established in Asia. Being rooted in Asia, we are able to appreciate investment opportunities in the region and offer our clients a range of investment opportunities and solutions suited to Asian needs," says Ms Ong.

Going forward, UOB Private Bank will continue to grow its investment platform as well as expand its geographic reach. It will also focus more attention on the needs of the next generation of high-net worth clients who are being prepared tp succeed their family businesses. To this end, the private bank offers a number of next generation programmes, such as internships at FinTech companies and start-ups as a way to build hands-on business experience.

Underpinning these various initiatives, however, is a focus on continuing to enhance the quality of UOB Private Bank's offering. Says Ms Ong, "In the long term, we have to maintain the quality of our advisory and continue enhancing our investment propositions. Only then will we continue to maintain the confidence and trust of our clients."

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Collaborating for social change

The UBS Philanthropy Conference 2018 delved into the pressing issues facing philanthropists today

By Francis Kan
SPH Content Lab

UBS brings together a highly influential group of over 200 eminent philanthropists, business families, social entrepreneurs and impact investors at its flagship Philanthropy Conference in Singapore earlier this year.

Themed "Collaborating for Social Change", the UBS conference provided a platform for philanthropists to share best practices and collaborate on new initiatives.

Mr August Hatecke, Head of UBS Wealth and Head of Wealth Management, South East Asia, UBS Global Wealth Management, delivered the welcome remarks.

"Many wealthy Asian families have embarked on succession planning and created a family legacy through philanthropy," he said.

"Philanthropy can help to foster family cohesion while instilling family values over the generations."

UBS has facilitated collaboration of several inter-generational families on its philanthropic engagements, such as the Global Fund IndoChina partnership to eradicate malaria in Mekong sub-region through a comprehensive regional programme.

Creating sustainable positive change

In an insightful opening keynote dialogue, African stateswoman Graça Machel spoke of her efforts to advocate for the rights of children, and also empower women, in Africa through the Graça Machel Trust.

Subsequently, in a discussion moderated by Mrs Tracey Woon, Vice Chairman Asia Pacific, UBS Global Wealth Management, Mrs Machel elaborated on her rationale to focus on the economic advancement of women.

Mrs Machel said: "Women have made strides in political participation, but there are still big challenges for them in terms of access to assets and financial capital. So I thought this is where we, as a Trust, can make a contribution."

The power of partnership

Mrs Woon noted that in Asia, UBS is proud to have facilitated collaboration of several inter-generational families on their philanthropic engagements in education, healthcare and other social causes.

"We are proud to announce the launch of another successful collaboration that UBS has facilitated. The Global Fund and DT Families Foundation launched the Global Fund IndoChina partnership to eradicate malaria in Mekong sub-region through a comprehensive regional programme," she added.

Next, there was a panel discussion on the power of partnership moderated by Ms Yang Vi Sun, Managing Director and Market Head, Indonesia, UBS Global Wealth Management. The panellists shared the importance of partnerships in tackling some of the most pressing social challenges today.

Yoma Strategic Holdings is one of the companies collaborating with the Global Fund to fight malaria in the region. Mr Melvyn Pun, Chief Executive Officer, shared that it is important for partners to establish a common goal that can be measured.

Philanthropists' role in driving change

Ms Susan Sy, Head of Philanthropy Advisory South East Asia, UBS Global Wealth Management, said: "In South East Asia, foundations are more strategic and more professional.

"They recognise the importance of collaboration with both peer organisations and government. Through peer learning, co-development and even co-funding, foundations would be able to further maximise their social impact."

A prime example of a successful company with sustainable projects is by Tan Sri Dr Jeffrey Cheah, Founder and Chairman of Sunway Group.

He shared his extraordinary journey of building Malaysia's first sustainable integrated township on the site of a former derelict mining town.

Today, Sunway City is a thriving community of 200,000 people in a safe and healthy development.

Another private sector philanthropist, Mr Tandean Rustandy, Founder and Chief Executive Officer of Indonesia's PT Arwana Citramulia Tbk, spoke next about the need to give money for good causes without expecting anything in return.

Proving that millennials can also make meaningful social change, Ms Grace Forrest, Founding Director, Walk Free Foundation, spoke of her mission to abolish modern-day slavery, which includes forced labour, human trafficking and forced marriage.

Solutions for impact investing

Tackling the topic of impact investing were three speakers who approached it from different perspectives.

UBS Global Visionary, Entrepreneur and UNIDO Goodwill Ambassador Helen Hai shared her experience in helping African economies to industrialise.

As an advisor to nine African heads of state on industrialisation, she believes that job creation, and not aid, is the key to alleviating poverty.

"This industrialisation has the potential to lift millions out of poverty and transform the continent," she said.

Next, Mr James Gifford, Head of Impact Investing, UBS Wealth Management Chief Investment Office, gave advice on how investors can incorporate securities such as environmental, social and governance (ESG) bonds, as well as shareholder engagement equities into their portfolios.

Rounding off the session was Mr Mario Knoepfel, Head of Sustainable Investing Advisory, Asia Pacific, UBS Global Wealth Management, who gave a preview of the world's first 100 per cent sustainable and impact portfolio, which UBS launched earlier this year.

The greater impact of collaboration

The final keynote address of the day was delivered by a fifth generation of the Rockefeller family, Ms Wendy O'Neill, Chairman of Asian Cultural Council and Chairman of Rockefeller Philanthropy Advisors.

She shared her family's philanthropic journey over the years and her views on how to get the next generation involved in social causes.

"There is a belief in our family that philanthropy is rewarding and we want our children involved. Non-profits can solve problems that businesses or governments can't address," she said.

Mrs Machel (right) shared her views on the need to focus on the economic advancement of women in a discussion moderated by Mrs Woon (left) during the keynote dialogue on creating sustainable positive change.

Many wealthy Asian families have embarked on succession planning and created a family legacy through philanthropy. Philanthropy can help to foster family cohesion while instilling family values over the generations.

MR AUGUST HATECKE
Head of UBS Wealth and
Head of Wealth Management,
South East Asia,
UBS Global Wealth Management

In South East Asia, foundations are more strategic and more professional. They recognise the importance of collaboration with both peer organisations and government. Through peer learning, co-development and even co-funding, foundations would be able to further maximise their social impact.

MS SUSAN SY
Head of Philanthropy Advisory,
South East Asia,
UBS Global Wealth Management

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