

The Demanding Nature of High Net Worth Investors

Advent Industry Intelligence

How wealth managers can turn it to their advantage

“The perfect storm of intense regulation and market turbulence has pushed the Wealth Management industry to a tipping point. Firms which fail to adapt business models to accommodate changing client behavior and new competition will struggle to maintain profitability and scale.”

KPMG: ‘UK Wealth Management at the Tipping Point?’
Online 2012



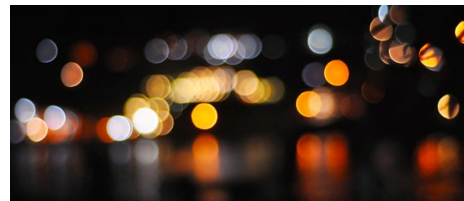
The changing client behaviors alluded to in the KPMG report are having a big impact on the levels of service and communications High Net Worth Investors (HNWI's) expect from their wealth managers:

- > More and more are looking for a personal touch
- > They are more demanding of financial products and services that fit their specific needs
- > They are urbanizing and becoming more mobile and therefore, in spite of perceived security issues, they want everything available anytime, anywhere

The Information They Want, When They Want It, Where They Want It

Clients today expect to be given a holistic view of their assets. They want reports across all banks, custodians and asset classes. Having a portfolio management system that consolidates all of a client's holdings automatically is a precious asset for wealth managers in this situation, saving time and reducing errors.

Furthermore, clients increasingly want detailed insight into their holdings, down to transaction level and risk profiles, on an ad-hoc basis. In fact, the trend over the last five years shows a clear increase in the number of HNWI clients who want web and mobile reporting on their investments: the

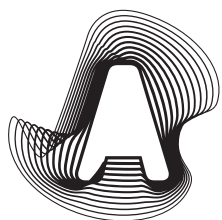


Scorpio Partnership ‘Future Wealth Report 2012/2013’¹ shows that the richest “future wealthy” with over USD 4 million have on average four devices and spend more than 48 hours a week on the web. However, at the same time managers need to provide reassurance and make sure clients feel safe with their data and digital security.

HNWIs are also looking for partners who will return their calls in a timely manner (57% would leave an advisor who didn't; and for 40% of them timely means under 2 hours) and who will be proactive in their communications: 50% of HNWIs would like to be contacted once a month, and 33% once a quarter.² To avoid manually reviewing clients' preferences and portfolios before making contact, wealth managers need a Client Relationship Management (CRM) and reporting system that can cater for personal preferences as to the content and frequency of communications and keep track of past interactions.

Trust, Trust, Trust

In parallel, HNWIs want to deal with a person they know and trust: 59% prefer a single person as their point of contact, and a further 35% prefer one key person with an extra contact when their advisor isn't available.³ They also don't want to have to repeat themselves every time they call so even their personal advisor has to keep track of their preferences and past communications. Once again, Know Your Client (KYC) and CRM tools have become



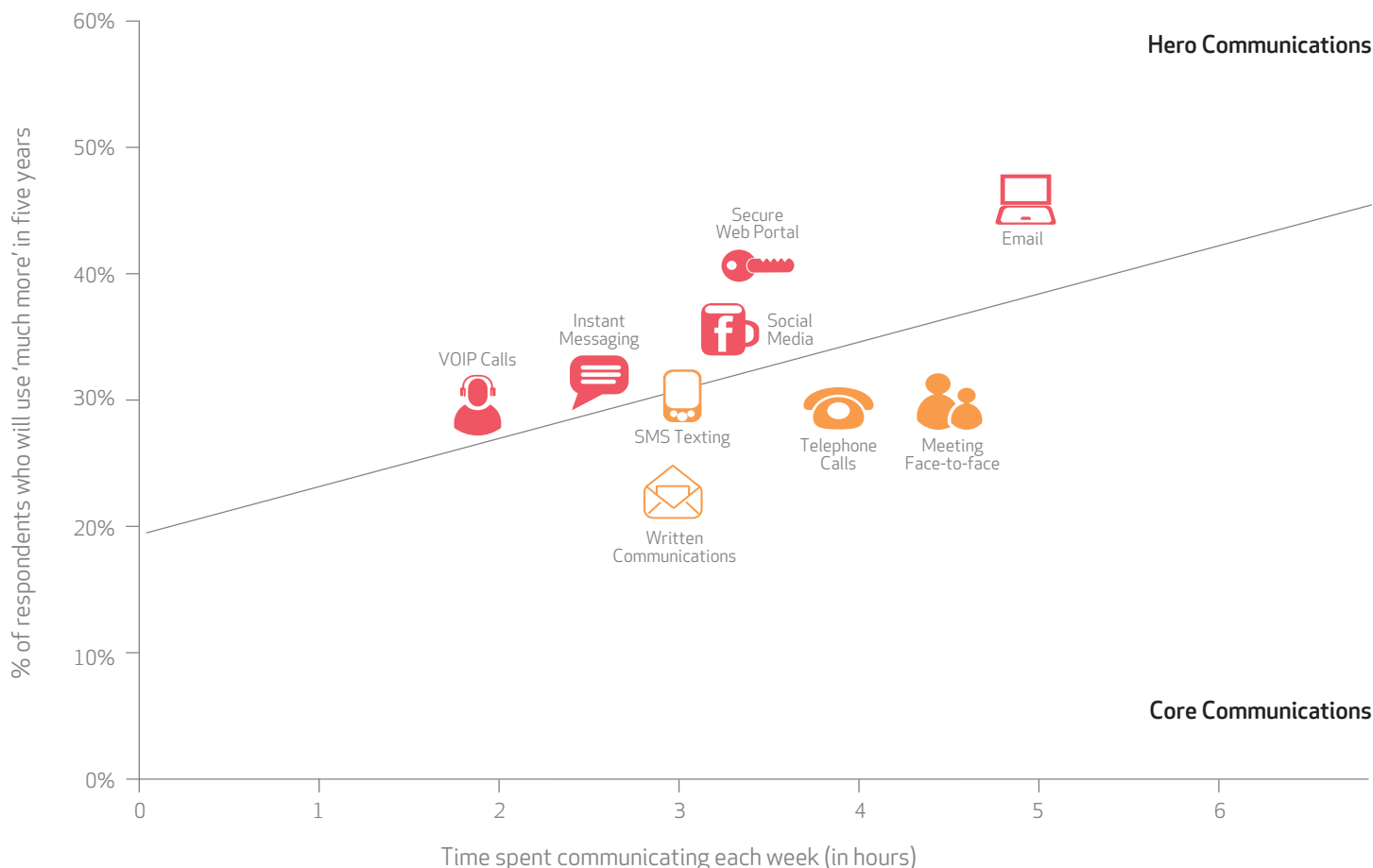
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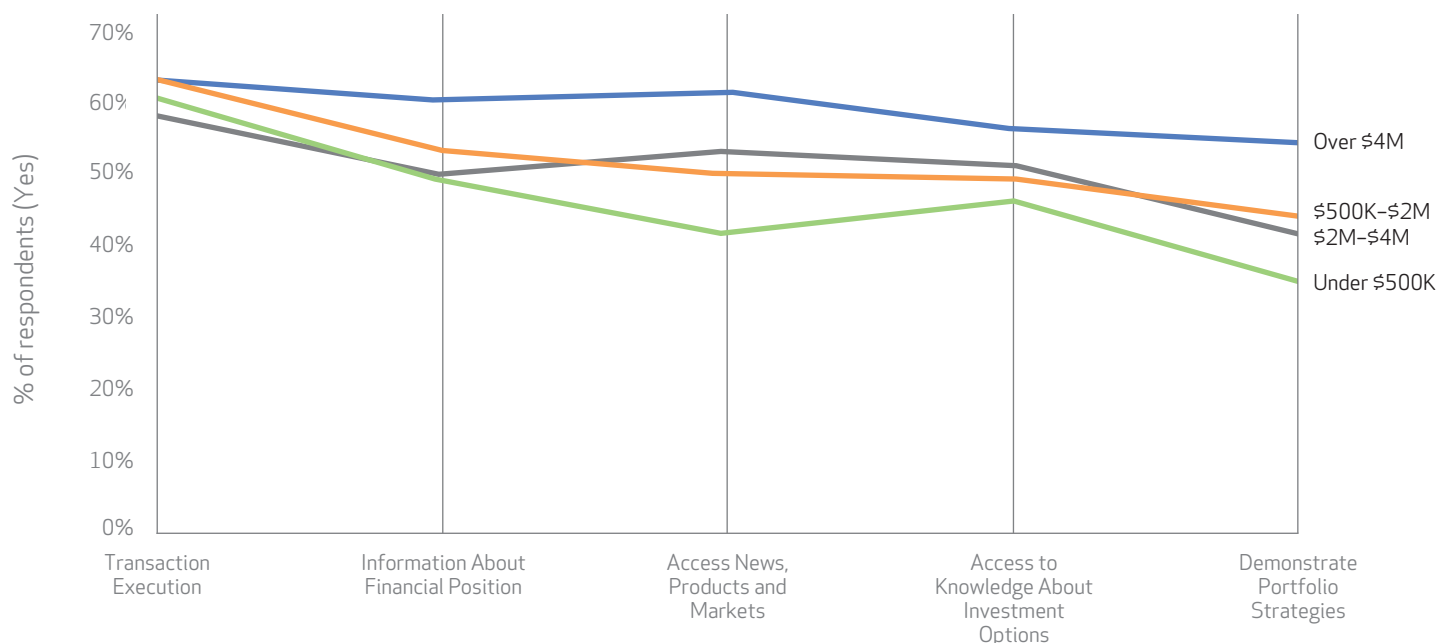
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Communication Usage Increase

How long do you currently spend using the following communications each week and do you plan to use these communications more in five years' time?

(Source: Scorpio Partnership 'Future Wealth Report 2012/2013')





The Right Technology

Do you feel your main financial provider delivers appropriate technologies to do the following?

(Source: Scorpio Partnership 'Future Wealth Report 2012/2013')

a necessity, even beyond anti-money laundering regulatory requirements.

In addition, HNWIs select their advisor first and foremost based on honesty and trustworthiness (99%), their investment track record (93%) and transparency. It is critical to minimize errors in reports and fee calculations, as clients will be quick to lose faith and change managers. The 2012 KPMG Ultra High Net Worth Survey states that 45% are more ready to switch than in 2007 and 41% have considered splitting their portfolio.⁴ Wealth management firms need a market data provider and an investment management system they can rely on to consistently provide sound data, with exception management enabling them to focus directly on the errors that need solving, without having to manually go through all the data every time.

As a matter of fact, transparency has become today's stepping stone to building long-term relationships with HNWIs. Managers need to be transparent on direct and indirect fees and on the investment process itself. They must be able to demonstrate their rationale and how the investment fits into the client's risk profile. Two solutions can help firms with this: risk monitoring tools that compare portfolios against their risk profiles, to ensure investments always remain within mandate; and research management tools that keep track of investment research and

decision-making so managers can pull up the history behind any investment decision at the push of a button for clients, auditors and regulators alike.

Knowledge is Power

Wealth managers have to offer a growing range of investment products from a variety of providers, including asset classes such as private equity, mutual funds and hedge funds. They must be able to explain and offer all of those, and selling an in-house product has to be justified, demonstrating it has the best track record among competing investments. A professional portfolio management system can enable wealth managers to review and compare investments and their performance, making it easier to manage a wide range of products.

Finally, HNWIs are becoming increasingly knowledgeable about their investments. To differentiate themselves wealth managers need to offer cutting-edge market analysis, written in simple terms but offering better content than what can be found online. At the same time, they need to make this content available on demand to avoid the risk of over-communicating. Personalization is key in client service quality, and is quickly becoming one of HNWIs top criteria of choice for a wealth manager.

However, according to the Scorpio Partnership 'Future Wealth Report 2012/2013' only one-third of Europe's fast-trackers currently believe their wealth manager has the right technology to provide them with the news and views they need to put their money to work.

These trends are even stronger among younger HNWIs and those who will one day inherit wealth: they are more risk-averse than their elders and are chiefly concerned with protecting their assets. They are even more focused on finding an expert, trustworthy partner who will offer high-quality, personalized services and communications, both off and online. For them, wealth managers must prove their worth as a partner that will take care of them, now and in the future.

Three Simple Rules to Stay on Top of the Game

Technology can go a long way in helping wealth managers ensure they meet clients' increasingly demanding criteria in terms of communications. Although firms must continue to deliver impeccable face-to-face service and market analyses on their own, following these three simple rules will free up managers' time to focus on core activities and ensure they master the underlying information:

1. Use a robust portfolio management system that integrates with KYC, CRM and sound market data and offers web and mobile reporting, to deliver trustworthy information when and where they want it.
2. Track your investment decisions to be able to justify them at the drop of a hat.
3. Offer personalized access to cutting-edge market analysis, product information and investment options that match your clients' risk profiles and communication preferences.

Who We Are

Over the last 30 years of industry change, our core mission to help our clients focus on their unique strategies and deliver exceptional investor service has never wavered. With unparalleled precision and ahead-of-the-curve solutions, we've helped over 4,500 firms in over 60 countries—from established global institutions to small start-up practices—to grow their business and thrive. Advent technology helps firms minimize risk, work together seamlessly, and discover new opportunities in a constantly evolving world. Together with our clients, we are shaping the future of investment management. For more information on Advent products visit www.advent.com.

Notes

- ¹ Source: Scorpio Partnership: 'The Future Wealth Report 2012/2013' Online November 2012–February 2013
- ² Source: Millionaire Corner, 'What Do High Net Worth Investors Want From Their Advisors?' Online 2012
- ³ Source: Millionaire Corner, 'What Do High Net Worth Investors Want From Their Advisors?'
- ⁴ Source: KPMG: 'UK Wealth Management at the Tipping Point?'

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