



THE WEALTH MOSAIC

#dedicatedtowealth

WealthTech Views Report

Using technology to
improve the management
of investment portfolios

December 2020

Introducing **Finantix**

Key business facts:

Founded
2000

HQ Address
11 Place Saint Pierre et Paul
L-2334
Luxembourg

Company Size
201-500 employees

Website
www.finantix.com

Regional Presence
Asia, Central America,
North America, Oceania,
Western Europe

Company overview

For over two decades, clients and analysts have recognised Finantix as the leading provider of trusted technology to the worldwide financial industry. Applying deep sector knowledge, we empower wealth managers, insurers and banks to digitally and intelligently engage with clients and provide insightful and compliant advice. By injecting artificial intelligence into a comprehensive yet modular, API-first platform, our proven technology enables holistic customer intelligence, sales and servicing productivity and individualised omni-device experience.

Our flagship platform can run in the cloud or be deployed as services that can help turn routine transactions into valued and collaborative interactions. It serves multiple actors across financial services organisations and is proven across multiple devices, languages, currencies, jurisdictions and regulations. We operate from offices across Europe, North America and Australasia.

Thought leader



Dr. Boris Rankov, Head of Digital Advisory

 **Email:** contact@finantix.com

Boris Rankov is a co-founder of InCube Group, which was acquired by Finantix earlier this year. At Finantix, he is Head of Digital Advisory. He has more than 15 years of experience in banking and wealth management, working with global financial institutions on digital transformation programs. His expertise lies primarily in the fields of wealth advisory, portfolio and risk management, as well as applying data science in the investment context. Boris holds a Masters degree and PhD in Electrical Engineering from the ETH Zurich (Dr. Sc. ETH).

*Q&A Dr. Boris Rankov

What is your view on the current state of the market with regards to how wealth managers are managing their investment portfolios? What are they doing well, what are the challenges, and what areas could be improved.

Efficiency and accuracy within the portfolio management process is the holy grail of the asset manager. Time lags in updating portfolios when markets move substantially quickly add up and feed through to performance. Maintaining compliance is another issue within the portfolio management process. Our view is that by leveraging new tools and technologies available, wealth managers can actually improve communications within the portfolio management team and thus reduce costs, increase efficiency and smooth processes. In doing so they can also support and enhance the client experience.

Our report, 'Co Creation in wealth management' underscores that poor investment performance does not automatically or exclusively trigger high levels of client dissatisfaction.

It found that unsatisfactory service experience is the biggest factor. The report says that some 87% of HNWI's would change provider on the basis of poor customer experience. This can include dissatisfaction with regulatory processes that are necessary but hitherto painful in terms of the time input required, the timeliness of information exchanged and a general clunkiness.

Customer experience

Technology within the investment management process creates better customer experience. It can help to deliver a collaborative approach by making all

processes smooth and effective, as opposed to manual and repetitive. Indeed a highly collaborative and communicative approach to conducting and internally managing client relationships means pulling together data from right across the business and equipping advisors with automated relationship management tools and insights. RegTech is a vital part of that as without compliance there can be no business model in wealth management. Hence it is important to also be able to adapt to a regulatory approach that looks to share data and disseminate it to where it needs to go in a timely, accurate and efficient manner. Communications are key.

Communications

Indeed, the big way in which technology can add to the customer experience is feeding client appetite for personalised and digitised communication.

Covid19 has no doubt accelerated the demand for digitised delivery of information and data in a timely manner. Volatile markets make clients anxious and not having access to the insight, analytics and views on of the investment team compounds that.

Internally too, technology enables better communications between the various components of the investment team. The Chief Investment Officer ('CIO'), the research, the portfolio builders, the asset allocation and securities selection teams all need to be able to communicate effectively with each other to arrive at a 'house view'. This view essentially feeds the front office, and thus the end client, with the proposed investment model. Eliminating manual processes and moving to streamlined way of communicating and sharing information and opinion makes sense for all.

The idea is to remove the internal silos around creating a portfolio and changing to a more visible and integrated approach which helps both the portfolio construction as well as the communication and transparency at the front end. This works for both an advisory and discretionary model.

It is something that would be helpful to all banks no matter how big. Large wealth managers tend to have this entire function in silos as they build a portfolio using capital market assumptions, strategic and tactical asset allocations, and bottom-up asset selection. The result is that it takes a lot of resources to build a portfolio and so there is a need to standardize using model portfolios rather than something that is truly bespoke. Its makes it more effective to service lots of clients using segmentation on risk and so forth, but it is not a bespoke approach.

Bespoke offering

A fully bespoke portfolio requires all this effort for an individual client and is only really done for UHNW clients on a discretionary basis. It is simply not cost effective to do it further down the wealth scale - especially when you take into account the high cost of compliance and the requirement of suitability and the time and cost of adhering to that. Increasing the number of advisers is not an option either – clients would get more face time but they would still not have access to something truly bespoke.

Digitising the process however, and using technology to apply mandate and compliance rules, means that portfolio building can be democratised and people lower down the wealth scale can enjoy better levels of personalisation.

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This is very much in demand as customers become more aware and more involved in their investments. A good example of this is within the ESG sector where people have specific likes, dislikes and causes and want their investments to reflect that. They want to have a granular and in-depth knowledge of where they are invested, certainty that they have affinity with what is being suggested and to know what the thought process behind an investment suggestion is.

We think that the efficiency gains provided by technology are a massive opportunity to move away from model portfolios and work to providing a bespoke portfolio creation service that is more nimble, accurate and transparent. Ultimately we think that using technology to deliver better client service levels, democratisation via digitisation, is a clear win for banks at a time when margins are under pressure and banks are looking to increase client loyalty, AUM and expand their reach.

What solution(s) does your company offer the market and how do they help wealth management firms manage their investment portfolios better?

The Finantix CIO Cockpit digitalises and enhances workflows for portfolio construction and content authoring capabilities to allow for strategic asset allocations (SAA), top-down house view and optimal tactical asset allocations (TAA), bottom-up data-driven product selection and efficient portfolios that follow the TAA. Moreover it provides a content management system for wealth management and investment processes as well as the authoring and distribution of CIO publications explaining portfolio shifts.

The key features of CIO Cockpit include:

- Management and construction of strategic asset allocations based on capital market assumptions
- Absolute and relative views, qualitative and quantitative views, views on returns, volatilities and correlations
- FX views and implementation with FX forwards
- Data-driven bottom-up product selection for equities, bonds and funds
- Risk/return efficient portfolio construction including various constraints and preferences
- Digital content authoring system for creation and distribution of House View and product content

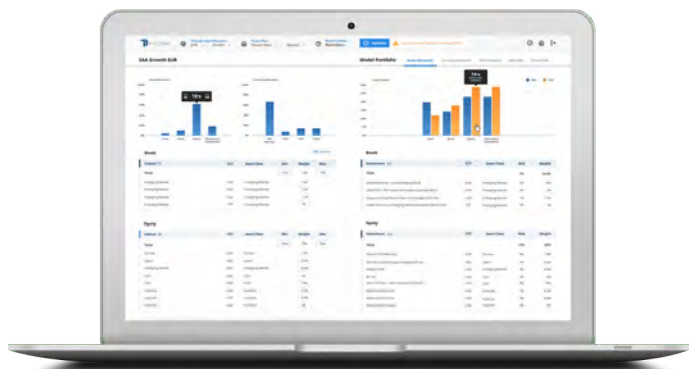
Its central tenet is providing CIO's with the means to distribute market updates and investment ideas to clients faster, leveraging digital communication and collaboration channels.

The Cockpit caters to three core investment office functions – house view-driven asset allocation, criteria-based instrument selection, and content authoring. Bringing these three elements together makes for a smarter and more efficient way to author and publish investment commentaries and research relevant to end clients.

The market volatility around the initial Covid19 outbreak amply demonstrated the need for such a tool. At that time there would have been a great many meetings of Investment Committees ('IC') where members would have been asking urgently to see the impact of the recent market turmoil due to Covid-19 on the bank's portfolios. Perhaps the IC also wanted to test the impact of specific market views on the portfolios too.

By moving from a spreadsheet-managed investment process and creating a digital view, we enable CIO's to rapidly develop, implement and communicate market views and high conviction ideas. The Cockpit uses a mix of Finantix's enterprise-grade technology; the CRM, advisory and collaborative components, with the data-driven and AI-enabled wealth management capabilities of recently acquired Swiss FinTech InCube. The two complement each other to give CIOs a set of tools that position them to deliver investment research and portfolios to clients with unprecedented speed.

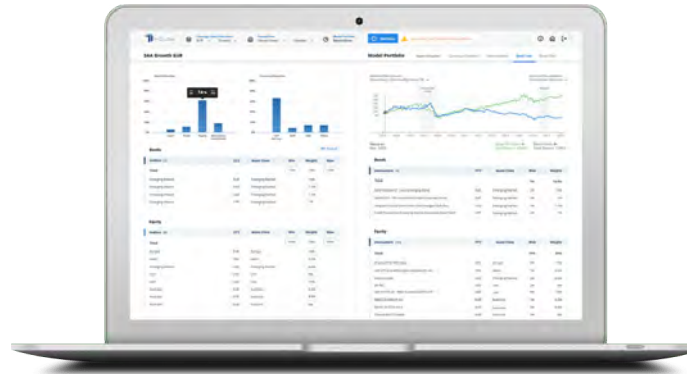
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The Cockpit essentially allows CIOs accelerate the production and delivery of actionable intelligence.

Having an efficient process to reach better understanding of the impact of forecasts and convictions on tactical and portfolios, being able to then easily explain views and investment ideas, and being able to distribute these in a personalized and frictionless way to relationship managers and clients creates in house efficiencies and makes for an adviser that is better equipped with the material to deliver an enhanced customer experience. Both are valuable in a world where cost efficiencies and customer retention must work together so that the business can thrive



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[Find out more about Finantix](#)



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