Starting a multi-family office sprint

WMA lands first client after just 3 weeks of operations and expects more in the months ahead amid the consolidation in private banking. **By Ven Sreenivasan**

NIMBLE & INNOVATIVE
Mr Repkow and his team, (from far left) Leslie Goh, investment adviser-managing director, Iriana Iqbal, client services & administration, Nirmala G, head of compliance & operations, and Ron Lee, chief investment officer.

THE growing number of ultra-high net worth individuals and families in Asia has sparked demand for family offices across the region. And as the second or third generation in these families step up, the growth of family office establishments has accelerated.

According to Stephan Repkow, founder and CEO of independent multi-family office operator Wealth Management Alliance (WMA), this is a reflection of the maturity of the wealth creation cycle in Asia.

"There is an increased demand for services that cater to the transmission of capital and entrepreneurial control to the next generation," he says. "Sometimes, this also involves (investment) education. But most of all, the internationalisation of assets and changing lifestyles of wealthy families has made family offices critical instruments for more professional and organised wealth management."

There are now an estimated 200 single family offices spread across the two key Asian wealth management centres of Hong Kong and Singapore. But this is just a fraction of the more than 3,000 family offices across the US, and over 1,000 in Europe. And more than half of these units in Singapore and Hong Kong were set up in just this decade.

WMA is the latest to get into the game.

Located in a gleaming office tower along the Orchard Road shopping belt, WMA – which obtained its capital market services licence from the Monetary Authority of Singapore in March – already has one family office client and expects at least half a dozen more over the coming year. It has facilities and infrastructure for eight family offices, with another eight more being prepared.

Integrated incubator

Mr Repkow, who is the majority shareholder of the company, describes WMA an "integrated incubator, an eco-system" to help wealthy families and experienced wealth managers set up and control their investment office.

"We run a full fledged integrated platform encompassing everything from fund management and financial advisory, to consolidation of accounts," said the 25-year veteran in private banking. "We have an open-architecture, completely unbiased, unconstrained and unconflicted model with access to multiple service providers. Our professionals follow a 'no-kickbacks' remuneration model based essentially on clients' performance, and not commissions from the supply side. This means our interests are perfectly aligned with the interest of our clients."

WMA has also invested heavily in state-of-the-art IT infrastructure, to mitigate cyber risk.

Born in Paris, the graduate of applied mathematics, economics & finance started his career as a forex trader with BNP Paribas, and subsequently spent nine years working in various cities across Europe. He moved to Singapore in 2000 as head of fixed income and treasury for BNP Paribas. And he has not left Asia since.

"Singapore is my home, and I became a Singapore citizen in 2014, and a young-old entrepreneur just nine months ago!" said the 49-year-old father of two whose wife is a homemaker.

But why start his venture in Singapore, when some in the wealth management industry reckon Hong Kong has a larger base for the family office business?

"Singapore has a very sound and stable regulatory framework, a great pool of talent and best-in-class providers of products and services which include banks, asset managers, law firms, trust companies. Singapore also has a very vibrant fintech sector. Then, there is the attractive tax regime and geo-political stability. Singapore is also an ideally positioned hub to seize investment opportunities from around the region. All these factors make the Republic the ideal location of choice to set up a single or multi family offices."

In just three weeks after it started operations, WMA acquired one family office client, and Mr Repkow is confident of securing more clients in the months ahead. With one chief investment officer already on board, he is also on the hunt for more investment professionals and advisers.

He does not see a challenge in wooing professionals from the private banking sector.

"The global banking industry is consolidating, while some institutions are even exiting the region," said Mr Repkow. "Meanwhile, more and more seasoned bankers are aiming to become independent to better serve their clients, and regain the role of a trusted adviser.

"*Asian Private Banker* just reported that the top 20 private banks in the region have over 5,000 relationship managers, essentially in Singapore and Hong Kong. So if you add up the other banks, EAMs and the product/investment adviser or counsellor teams, we have quite a deep pool of wealth managers, and so plenty of opportunity to pick the right talents."

Nevertheless, independent family offices do face competition from private banks, many of which have been setting up family offices for some years.

However, Mr Repkow points to some niche differences between bank-operated units and independent family offices.

"There are many newly created HNW entrepreneurial asset class families in Asia with assets in the range of US$20 million to US$200 million. These people may not always be totally satisfied with services of private banks because these banks generally require higher individual net asset base to access the top-tier solutions, and pricing. Also, bank strategies and management teams change. Independent family offices can cater to the needs of this segment."

Typically, independent family offices cater to those wealthy families looking for an infrastructure to enable a next-generation family member to manage their assets, he added.

"In some cases, they expect some coaching and support from an independent team of specialists, for efficiency and oversight," Mr Repkow said. "We also cater to very seasoned investment professionals, looking to set up their own private office in a comprehensive infrastructure. But at the end of the day, all these clients will share one common objective, and that is to establish their wealth management office without being isolated.

"While operating independently, they will also be part of a community of like-minded investors, for exchanging ideas and best practices, capitalising on co-investment opportunities, and having collective bargaining power with providers."

Next-gen transmission

Not surprisingly, Mr Repkow sees the growth of family offices in Asia accelerating as more ultra-HNW clients seek efficient wealth management and prepare for transmission to the next generation

Despite his upbeat prognosis for independent family offices, he recognises that operating this business is no walk in the park either.

"Setting up a new business in our industry is definitely not a sprint, not even a marathon. I see it more as a continuous succession of sprints. A marathon evokes a somewhat routine pace. But we are dealing with high expectation from clients, and operate in a marketplace which is demanding, competitive and volatile. Family offices have to be nimble and innovative. The challenge is also to help clients structure their wealth or private investment office in a bespoke manner. I'm committed to this high pace to deliver the best to our clients!"

BROKERS' TAKE

Innovalues
Buy
Maybank Kim Eng Research | April 8
April 8 close: **S$0.98**
Target price: S$1.00

Innovalues' announcement of its appointment of Rippledot likely means the strategic review is already well-advanced, as it was made only after a strong stock rally. An offer is not guaranteed but Innovalues is a highly desired company that should not be sold cheap. Rippledot is also a canny adviser that has advised on many successful deals, including competitive bids. We have a "buy" with a S$1.00 target price but would not be surprised if this is exceeded in a competitive bidding situation . . . Whether or not there will be an offer cannot be predicted. But two recent mergers and acquisitions (M&As) in the Asian vehicle space – IPE in Hong Kong and Interplex in Singapore – have highlighted Innovalues as a leading M&A candidate. We noted in our February report that Innovalues' financial and operating metrics are far better than the other two companies. We also noted that Baring Private Equity, which is privatising Interplex, could potentially bid for Innovalues at S$1.20, merge them and still pay the same valuation it is already prepared to pay for Interplex.

Triyards Holdings
Buy
OCBC Investment Research | April 8
April 8 close: **S$0.41**
Target price: S$0.61

Triyards Holdings reported a 15 per cent year-on-year rise in revenue to US$70.5 million and a 4 per cent increase in net profit to US$5.3 million in Q2 FY16, such that H1 FY16 net profit accounted for about 44 per cent of our full-year estimate. Given the lumpiness in quarterly earnings, we judge this set of results to be within our expectations. Gross profit margin was 20.9 per cent in Q2 FY16 compared to 18.7 per cent in Q1 FY16 and 22.4 per cent in Q2 FY15.

Meanwhile, the group also just announced new contract wins of US$17.8 million, comprising three wind-farm support vessels and a luxury river cruise vessel. We understand that the wind farm vessels are crew transfer vessels of a catamaran shape, and estimate that each vessel costs about US$4 million. This is further evidence of the group's ability to diversify away from the oil and gas segment. As at end-February 2016, Triyards's order book stood at US$513 million, which is about two times its revenue in FY15.

We expect the group to recognise about 30 per cent of its order book by the end of this year, translating to about US$154 million in revenue. Do note that this excludes the two latest Ezion liftboats that are currently put on hold due to proposed changes in design (no construction work has started yet for these units), and we had taken this into account in our estimates.

Meanwhile, the group's net debt to equity ratio rose from 0.31 times in end-FY15 to 0.55 times as at end-Q2 FY16, mainly due to working capital needs. Excluding project-related financing, its net debt to equity ratio was 0.04 times. Looking ahead, management will focus on the execution of its order book and continued diversification of its products beyond the oil and gas industry (for example chemical tankers, scientific research vessels, wind-farm support vessels). Maintain "buy" with S$0.61 fair value estimate, based on an undemanding five times FY16/17 price-earnings ratio.

Noble Group
Neutral
Credit Suisse | April 8
April 8 close: **S$0.425**
Target price: S$0.30

Noble Group's CEO Yusuf Alireza presented at the Asian Investment Conference on April 6 outlining Noble's business outlook and strategy with management focusing on: (1) having an asset-light business model, (2) diversifying away from industrial commodities, and (3) increasing geographical diversity.

According to Noble management, its total debt due by December 2017 is US$3.15 billion and potential liquidity sources amount to US$4.6 billion. This would include US$750 million in proceeds from the sale of Noble Agri which has been completed and as up to US$500 million in asset sales and/or capital raising.

Syndication of revolving credit facilities (RCF) and US borrowing base is currently under way. Management has been targeting net debt/capitalisation to fall to 45-50 per cent from 54.5 per cent as at December 2015.

We would look out for the progress on syndication of RCF and US borrowing base to determine its liquidity position. Maintain "neutral".

Compiled by Kenneth Lim