

# Crossinvest's Rohit Bhuta on Unravelling Asia's Wealth Management Conundrum

**Rohit Bhuta, CEO of Singapore-based independent wealth management firm Crossinvest, believes in the power of patience. He met with Hubbis to delineate his views on what a truly independent wealth manager should offer as an enduring proposition to its clients and to explain why he and his colleagues remain patient as the market gradually evolves towards a new paradigm of openness and client-centricity.**



## Executive summary

Rohit Bhuta, CEO of Singapore-based independent wealth management firm Crossinvest, believes in the power of doing the right thing, and patience. He met with Hubbis to delineate his views on what a truly independent wealth manager should offer as an enduring proposition to its clients, and to explain the underlying reasons for Crossinvest taking the relatively under-trodden and somewhat challenging "high-road" as the industry slowly evolves towards a new paradigm of openness and client-centricity.

The more "well-trodden and beaten path", as Bhuta sees it, is a private wealth industry that is largely based on sale-based-distribution rather than conflict-free advisory proposition. There is a tendency for the core values of honesty and integrity, essential elements when mandated to look after other people's money, compromised in a sales based environment, Bhuta says. Why has that relationship been compromised? It is because, Bhuta argues, the leading private banks and big-name financial institutions have grown so large and developed such onerous cost bases that they need constant feeding with revenues, resulting in a transactional, "product-push" approach. This, Bhuta contends, all too often relegates the client's best interests to a third priority, after the remuneration packages of the relationship managers and the constant hunger of the banks that house them.

"Some of the world's oldest and most reputed boutique Private Bank institutions, that are still as relevant as they were at least two centuries ago, gained their reputation on the back of building strong relationships based on honesty, respect and integrity and providing a proposition that was fit for purpose for the clients they served", Bhuta says. "These institutions carried with them an aspirational value, and an element of pride to be served by them - they inspired an industry".

Bhuta believes in the values these private banks stood for, and has built the foundations of Crossinvest around these core values. They are happy to be an exception until there is an even playing field - driven either by the industry's change of heart, or more probably, by the regulators who might demand absolute transparency from the industry.



**“UNFORTUNATELY,”** BHUTA BEGINS, with discernible disappointment, “the independent wealth manager, the external asset manager, the multi-family office, all of which were imagined and then created out of the disillusionment of both clients and relationship managers with the private banks, have not yet managed to convert the market to a situation where the true proposition of these firms is winning through to the hearts and minds of the Asian client base.”

**Independents – not yet a cohesive force**

Bhuta observes that the independents also remain fragmented, unable to cohesively portray and communicate a unified and suf-

with the best interest of the client through an independent evaluation of their needs. Most importantly, you are also entirely transparent.”

He expands on his concept of transparency and why he considers it to be of vital importance. Bhuta explains, “saying one thing and doing another without informing someone is bordering on deceit”, he continues, “if an investor has been told that he will be charged x% only, and then the investor funds’ are used to generate additional revenues for the organisation at the investor’s expense without the investor knowing, is dubious - profiteering at best, deceit at worst!”.

Crossinvest believes in complete transparency and works with zero conflicts of interest at all times without compromise. He further explains that Crossinvest

**“You are not aligned or linked to any other organisation,” he comments, “but you represent and offer best of breed, and your value proposition is to create an investment strategy aligned with the best interest of the client through an independent evaluation of their needs. Most importantly, you are also entirely transparent.”**

ficiently compelling rationale for the willing migration of clients and their relationship managers (RMs) from the big brand private banks and other key players.

Bhuta steps back to define what he believes an independent wealth manager should represent, in terms of its key characteristics. “You are not aligned or linked to any other organisation,” he comments, “but you represent and offer best of breed, and your value proposition is to create an investment strategy aligned

works for, and with their clients and they do not take any fees other than from the client. They are therefore neither incentivised nor dis-incentivised to do anything other than look after the best interests of the client, at all times.

**Covert operations**

Bhuta is, of course, referring to the widespread practice that still persists widely in Asia for a firm to sell a product to the end client and in turn receive a fee - known as a

**Key Priorities**

Family Office proposition - We are enhancing and expanding our family office service proposition as well as increasing our focus on facilitating S13x and S13r for families wishing to utilise the Singapore Government Initiative to attract family wealth into Singapore.

We will continue to expand the breadth of services and solutions through partnerships with like-minded institutions, including offering unique and off-market real estate deals through Crossinvest Private Real Estate and providing access and advisory through our soon to be launched Crossinvest Private Fine Art and Collectibles.

We will continue to advocate change within the industry.

retrocession, or distribution trailer fee - and, most importantly, does not then feel obligated to disclose that to the client.

As a simplistic example, perhaps the private banks will sell a major HNW client a retail class of mutual fund where they may have been entitled to buy an institutional class of the mutual fund, which is usually at much lower fees. The fund manager usually charges the higher retail fee in order to pay the distributor, in this case the bank, a commission (or a retrocession). This fee the distributor receives is not usually disclosed to the client.



ROHIT BHUTA  
Crossinvest

### Gaming the game

Bhuta adds that there are many other avenues for the banks to boost their revenues, unbeknown to the clients.

“It might be through leverage,” he says, “or through going into retail mutual funds - rather than institutional - or through for example multiple structured products and accumulators, FCNs and so forth, many of which keep rolling on a regular basis, or perhaps charging a spread on FX, charging a spread on fixed income, there are multiple areas where revenue is being generated without the client actually knowing.”

“Everyone needs to earn their keep”, Bhuta adds, “but these should be disclosed to the client. The industry acid test should be this: if you form the view disclosing the amount of revenue you earn on the back of a client transaction would result in the client closing their account, then you are doing something wrong”.

### Standing aside from the crowd

“Actually,” he reports, “our own position is very simply that we do not take any commissions or

### Getting Personal

Bhuta was born in Fiji and moved to Wellington, New Zealand to complete high school and continue with his further studies. Even though going from the balmy tropics to wet and windy Wellington was a bit of a culture shock for him at the time, Bhuta says he grew to love Wellington. He considers both Australia and New Zealand as home and is sometimes conflicted when they play each other in any sport.

He studied at Victoria University of Wellington, New Zealand, where he earned his bachelor’s degree in commerce and administration. After that, he travelled, where he did “a bit of everything, working in bars, in an accounting firm, a bit of auditing here and there”, and then to Sydney, where he joined Macquarie Bank.

Bhuta then worked with the Macquarie Group for over 22 years, including a period in Malaysia with Macquarie in its asset management joint venture with Arab-Malaysian Bank Berhad (now AmBank).

An illustrious career included stints in South Africa, Hong Kong and India before he left Macquarie in 2015 to join Crossinvest.

He is married with three sons, aged 19, 18 and 10, with whom he loves to spend recapturing lost time, making up for the years he spent travelling when he was so often away on business.

Besides travel, which he continues to enjoy these days, but more often with his family, Bhuta is a passionate rugby and football fan, enjoying outings to sports pubs to watch events with friends and, for a while at least, get to “just become a rugby larrikin, and waiting for the day when Spurs relive their glory days again”.

retrocessions from third parties. But even for those smaller firms that do practice this, transparency is essential, we believe, as the key distinction of an independent wealth manager or multi-family office from the transactional-led wealth industry platforms should be complete openness, and offering

investment advice and solutions that are wholeheartedly in the best interests of the client.”

### Will they? Or won't they?

Right now, Bhuta notes that there is no regulatory imperative to disclose these trailer fees and no prospect in view that the major banks will cease the practice un-

less forced by regulatory change to do so. “We believe this will change,” he remarks, “but we must be extremely patient as the prospect of change is still some years away.”

The practice impacts not only on the ability of the independent firms to compete on a level playing field but on their ability to win over the RMs that might help drive their businesses forward more expansively.

If, for example, a private bank is offering low rates to clients for the mainstream, public markets financial products, but behind the scenes, that bank is earning far more from each client through retrocessions and commissions

**“It is always harder to stand up tall and be counted when you are one of very few in a highly saturated industry that has a different, albeit less honourable, value proposition”**

about which the clients know little or nothing, then the banks are able to boost remuneration to the RMs while at the same time boosting their own profits.

### **Corrosive practices**

“We believe the hidden fee approach should not be acceptable in our industry,” Bhuta states, “so we offer clients a clearly defined and transparent proposition.

Our vision is to establish a benchmark of excellence in the private wealth management space in Asia Pacific. We will achieve this by establishing long-term relationships with our family of clients across generations based on trust, knowledge and thought leadership and through our independence in

the truest sense of the word and our ability to remove all real and perceived conflicts.

We operate as a fiduciary advisor with complete dedication and transparency. The “high road” that Crossinvest has adopted has its share of challenges however as Bhuta explains. “It is always harder to stand up tall and be counted when you are one of very few in a highly saturated industry that has a different, albeit less honourable, value proposition”.

### **Tough call for RMs who prefer propriety**

“We seek experience and expertise,” he explains, “and the type of RM who genuinely wants to work

for the best interests of his/her client. There are two key challenges however. Most private bank RM’s are trained to sell. Their livelihood depends on achieving the revenue targets set by the organisation they represent. Sales orientated people unfortunately do not make good fiduciary led investment advisors, the type of RMs we seek to employ.

Even if the RM is able to transition from a sales focussed approach to an advisory focus, he / she is faced with a conundrum. How do they go to their clients and say the total undisclosed fees you used to pay on your investments was much higher, and now, under an independent platform, your fees will be transparent and much lower than

what you paid before? So in other words, it is tantamount to saying, I earned revenues on the back of your account and did not tell you about it but trust me now, I will be more transparent.

It is certainly not an even playing field at the present point in time. If fees is the only thing a client uses to decide which proposition to use, then the broader industry, on the face of it, would be the obvious choice - this disclosed fee is less than the actual fee the client ends up paying.

Our focus in any case is on establishing for the client the value that we add for them over the medium to long term. For the investors who see this value that we add as an independent proposition, the fee discussion becomes a rather moot point.

### **One conundrum after another**

“In essence, that is one of the reasons many RMs do not move right now,” Bhuta concludes, “and as we see it, that will not change until full regulatory disclosure is demanded, and only then we might all be on a more level playing field.”

There are, on the other hand, other drivers that Bhuta believes will continue to push the RMs to look outside their banks.

“There is a constant demand for them to perform,” he says, “to meet targets. This creates a vicious circle where the RMs on these tough budgets are possibly driven to sell particular products or services the bank is pushing, whether these make sense for the clients or not, in order to maximise each component of the bank’s revenue generating mechanisms. The RMs might have a large base salary, but the higher it is the higher the multiplier of targets set by the banks. And if

the RMs do not achieve those targets, they are probably looking for another job.”

Bhuta believes this approach presents the RMs that want to be more client-centric with their own conundrum. “Invariably,” he says, “the RM is faced with a choice, push certain ideas or products that may not be in the best interests of the client and in doing so, meet the revenue targets, or abstain from offering anything that is not suitable for the client and in doing so, risk their job security.”

Bhuta refers to the Australian Banking Commission of Inquiry, which he explains identified and tried to address this syndrome.

“They found these behaviour patterns,” he comments, “but their approach was not additional regulation but the advice to follow some basic core principles, such as obey the law, do not deceive, do not be dishonest, provide advice that is fit for purpose, offer the client what is in their best interests and be transparent. As we see it, every RM should follow these principles every time they interact with their clients, but that is not happening yet, certainly not in Asia.”

### **Distant hopes**

Bhuta concedes that the protocol of full disclosure in the Asia region is still a distant prospect. The conundrum therefore for a firm such as Crossinvest, which sees itself as a key advocate for change in the industry, and which long ago set out its stall to focus on transparency and client-centricity, is how can they remain patient and hope that the concept of open advice that is offered in the best interests of the clients will win through, but also build their businesses in the nearer term.

Bhuta argues that the answer is sticking to Crossinvest’s tenets and believing that the right RMs will

---

### **Crossinvest Today: Proudly Independent**

Crossinvest has been operating in Asia since 2005 and is one of the founder members of the Singapore Association of Independent Asset Managers (AIAM). The firm is regulated by the Monetary Authority of Singapore (MAS), and possesses a capital markets and securities license.

Bhuta reports it is one of the few external asset managers that have been operating for over a decade. With a current staff headcount 16 people in Singapore, the company offers discretionary management, financial advisory, private investments and family office services to a global client list.

Crossinvest prides itself on being a truly independent EAM with a proposition that is completely aligned with that of its clients. The company takes a portfolio-based approach, whether in a discretionary or advisory capacity, in its management of clients assets, and offers access to listed traditional assets as well as private assets (equity or debt) as well as unique off-market co-investment opportunities, all diligently selected from a diverse range of the investment universe.

“We are a multi-generational, privately-owned group that we believe exemplifies the finest Swiss private banking traditions,” Bhuta reports. “We are an independent asset and private wealth management company offering bespoke and exclusive discretionary management, financial advisory, private investments and family office services to sophisticated individuals, entrepreneurial families, and institutions. Our team has an average of over 17 years in the financial sector, and we all possess a deep understanding of the inherent nuances of the private wealth management industry.”

“We aim to bring the true Swiss traditions of private banking and ally that with our South East Asian hospitality and our local understanding,” Bhuta reports. “The foundation, inspiration, and core principle of Crossinvest is to build a long-term partnership with our family of clients across generations.”

Bhuta claims that to achieve long-term value creation, the firm is adept at establishing long-term relationships with its family of clients across generations based on trust, knowledge and integrity, and making the client feel as unique as he truly is.

join the firm and the right clients will understand the firm’s formula.

“I actually believe that RMs and clients will indeed start recognising the value of this quality advice that comes from organisations such as ours,” Bhuta states. “However, I also recognise that this change of mindset will not take place overnight, unfortunately. I would love to stand corrected, I would be the first person to hail the transformation of the industry’s new transparency and striving to always work in the clients’ best interests, but in reality, it is still a few years away before the regulatory requirements change and require full and complete transparency and disclosure.”

**Differentiated asset management**

Whatever the hopes for the future, Crossinvest has been building its business robustly, propelled by the experience of its team and the rapid growth of private wealth in the region.

At the core of our Crossinvest business are the traditional investment proposition and services. “We have been successfully delivering leading discretionary and advisory services here for almost 12 years,” Bhuta reports.

Asset management is central to the firm’s success, and Bhuta contends that for this activity the firm is well differentiated from competitors. He explains that Crossinvest takes a ‘holistic and portfolio-based’ approach to investments, whereby each asset or investment recommendation will always be made within the context of its impact to the other assets and asset allocations within the client’s portfolio.

**Protect and build**

“Our investment philosophy is based on protecting and building wealth for our clients over the medium to long term,” he explains. “We are unconstrained across geographies, and asset classes, and our approach is underpinned with a combination of the top-down macro drivers of beta, and the bottom-up fundamentals, valuations and factors that drive alpha. We create and actively manage model portfolios which provide anchor points and reference for managing individual client portfolio variations.”

Bhuta explains that the firm runs unconstrained portfolios for its clients and eschews tactical trading based on market volatilities. “We focus on fundamentals and objectivity,” he says. “We

invest based on conviction, aligned with our sophisticated risk-management methodology”

Moreover, Bhuta adds that aside from the risk-based approach founded on strong conviction, the firm proposes optimised diversification unlimited by old-fashioned benchmarks. “And our experienced in-house investment and research team ensures complete independence, ownership and accountability,” he remarks.

**The world of private assets**

Bhuta is also proud of the firm’s thrust into private assets - private equity, pre-IPO investments and private debt - away from the core public capital markets, a transition he believes is timely given the more difficult public market conditions since early 2018.

“We have developed Crossinvest Private Access,” he reports, “to provide our clients access to institutional quality investment opportunities such as private equity, or private debt that are not readily available on listed markets or via a bank’s platform. Because these are more difficult to access, banks typically only reserve such investments for their top customers. But we offer these to a much wider range of our clients.”



Bhuta reports that the firm offers independently sourced and selected private companies and assets that are not typically made available to private investors. “We identify and select individual deals from our global partners and put each deal through our rigorous review and selection process. We invest in private companies directly and do not invest through investment banks or private equity fund platforms. Our ultimate aim is to have a portfolio of 20 to 25 private companies from Series A to Pre-IPO, from around the world, across sectors, within several years, with each portfolio varying from client to client, depending on the mandate.

He explains that it has until recently been difficult for individuals and family offices to, for example, buy into companies on a pre-IPO basis. “It was always necessary to invest in private equity funds offered through banks or other channels, and they usually have very high fees,” he reports, “but we are able to offer a wide array of opportunities at more compelling fee levels. The new service is available to any of our clients and partners, and we

are currently focusing on investments in data management and the digital economy.”

### **The concept of ‘good’ advice**

Good advice is also central to Bhuta’s world. “For us,” Bhuta comments, “good advice means providing something to a client that makes sense for the client, rather than promoting an idea or product that we do not fully believe in or that might not be quite right for the client. It is easier for us to do this, as our RMs are not directly remunerated on their product sales, so they are not at risk of compromising their judgement. That, in turn, results in trusting long-lasting relationships, this is our true differentiation.”

He believes his firm’s approach is ideal for the Asia region, where private wealth is rising fast but also where the focus for HNWIs and their families is gradually shifting towards long-term wealth preservation and efficient structures for estate transition between the generations.

And he believes that in the more volatile and unpredictable investment markets that have emerged over the past 18 months or so,

the proposition that a firm such as Crossinvest offers is becoming more alluring for clients.

“I believe that advice today must return to more altruistic forms,” Bhuta comments, “so that the RM’s advice is genuinely for the clients, not for the RM’s revenue targets or the profits of the firms they work for, other than by way of the long-term client growth and retention.”

### **The quest for best-in-class**

Bhuta closes the discussion by describing some of the critical considerations for a client considering moving some of their assets to Crossinvest.

“The big brand should no longer be the core element of their decision,” he contends. “Good quality, truly independent advice is difficult to find, even when there are so many wealth advisers in the market today. We believe the client should focus increasingly on those independent firms that are able to offer tailor-made advice and solutions, that offer best-in-class, objective advice and that conduct their business in a totally transparent, client-centric way, driven by an in-depth understanding of your situation, your needs and your longer-term goals.” ■

