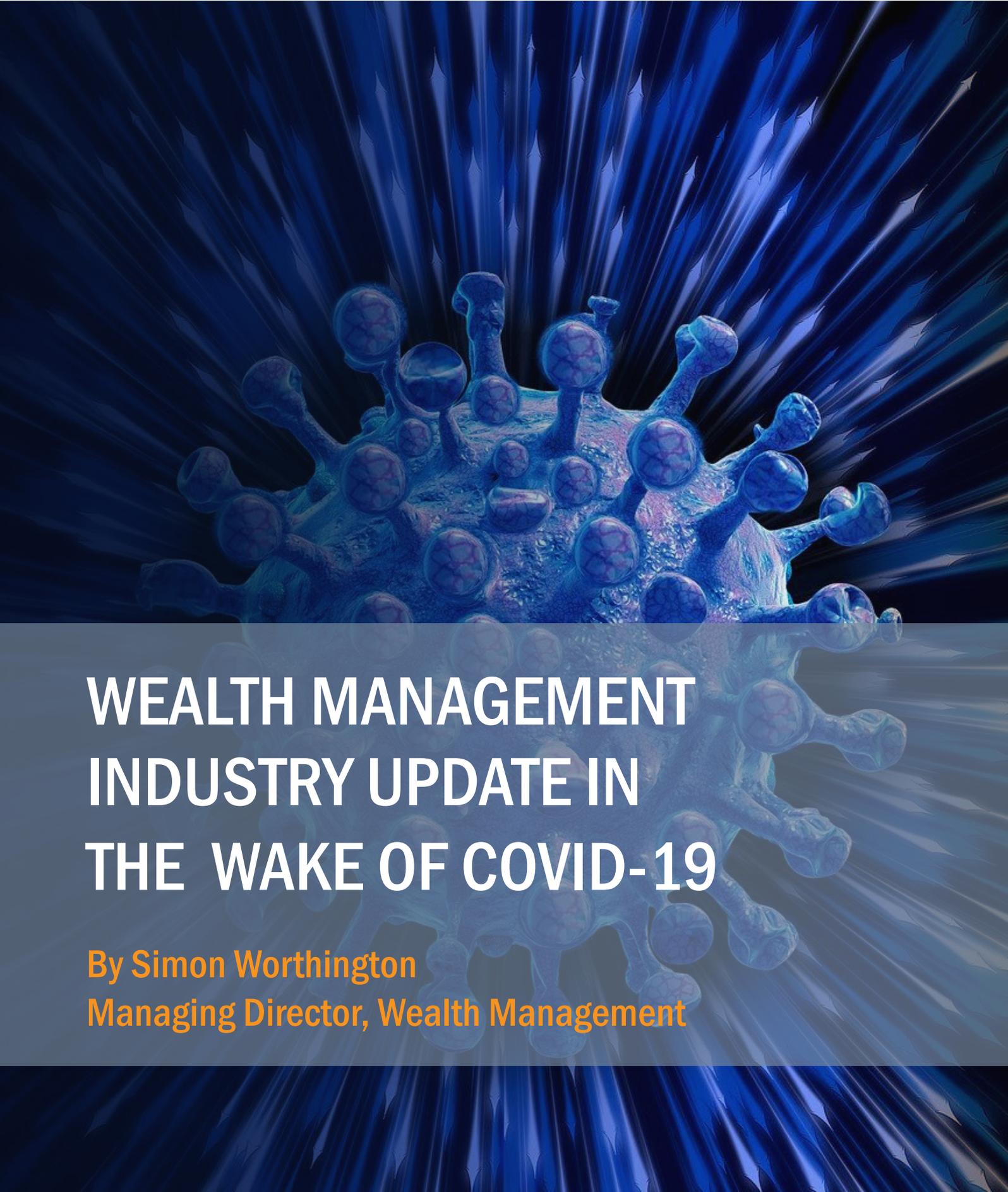


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WEALTH MANAGEMENT INDUSTRY UPDATE IN THE WAKE OF COVID-19

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INTRODUCTION

After an unprecedented few weeks, most Wealth Management practitioners seem to be settled into their new routine of Working From Home. The Wealth Management team at Sheffield Haworth has discussed with industry leaders their reactions, and those of their teams and clients, to Covid-19 and the subsequent impact to business.



CLIENTS

Sheffield Haworth look into private clients' reactions to Covid-19 and the impact this will have on wealth managers across the sector.



INFRASTRUCTURE

We examine how the industry has coped with moving to a Working From Home business model.



COMMUNICATION

Sheffield Haworth discusses the importance of communication during this pandemic.



HIRING

We look at how the Coronavirus outbreak has impacted hiring processes across the wealth management industry in EMEA.



LONG TERM IMPLICATIONS

Sheffield Haworth look into what the longer lasting impacts of the outbreak could be on the wealth management industry.

1 CLIENTS

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We have ridden the bull market for some years and had already adjusted our portfolios to take account of future downside risk. Clients are fairly sanguine about the fall in valuations, other than a few with short term liquidity issues.

CIO, Private Investment Office

Relationship Managers are focusing their attention on existing clients and prospecting will be tricky in the short term. Though as a large bank we have had a notable pick up in enquiries in recent weeks due to our balance sheet stability.

Regional Head of Private Banking, Universal Bank

It is more important than ever to be there for clients. That seems obvious yet some of our competitors are conspicuous in their absence of engagement.

Head of Private Clients, Private Client Investment Manager

Across the industry, wealth managers are reporting that despite the market volatility their clients' primary concern is for the welfare of their family members and friends. For this reason, most wealth firms view prospecting for new business as not only difficult but insensitive and have reduced their business development activities.

The limited new business that is coming through is from two streams: Firstly, clients who are unhappy with the lack of communication or effective IT from their current wealth manager. Secondly, clients looking to move to a larger business whose balance sheet and scale offer perceived security in periods of instability.

In bear markets, passive investment managers will take the hardest hit to their revenues. Their sole revenue stream, based on a percentage of discretionary assets under management, will be directly correlated to market falls. Conversely, private banks and advisory-led businesses which have a diversified revenue stream should fare better. Increased brokerage and transactional revenues can be further enhanced through increased lending revenues. Even lower interest rates, a dampener on some returns, may draw in new borrowers.

2 INFRASTRUCTURE

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We currently use too many forms of communication including telephone, email, WhatsApp, Teams, Skype, Lifesize, Zoom, Webex etc. This Covid-19 episode has demonstrated the need to reduce to fewer platforms and get consistency in use between them.

Chief Operating Officer, Private Client Investment Manager

I am happy to see positive adjustments to out of date procedures. We can now accept electronic signatures from clients for account opening, speeding up processes.

Head of Risk & Compliance, Private Client Investment Manager

Our engagement with clients is all by phone as we cannot record on Skype for Business or Zoom. We would like to use VC but have not worked out which is the best route to do this yet.

Chief Technology Officer, Boutique Private Bank



Budgets will need to be moved away from the front line to Operational and IT divisions of the business.

Regional Head, Private Bank

The mobilisation of companies to work from home has been remarkable. This has highlighted the importance of investing in IT infrastructure and without the advances in current technology it would have been near impossible. It has forced companies to accelerate new systems and update procedures.

Many internal processes are now being done electronically, accelerating the speed at which they take place. Whilst current technology has allowed wealth managers to work from home successfully there still needs to be streamlining across firms to homogenise communication for internal and external meetings.

Many are being overwhelmed by the multiple communication platforms currently on offer (Microsoft Teams, Skype for Business, Webex, BlueJeans, WhatsApp etc.) and their lack of consistency. In a tightly regulated industry firms need to find a platform which allows them to meet regulations and one that is best suited to their business. One only needs to consider the recent virtual Downing Street Cabinet meeting, where attendee's Zoom ID's were visible in subsequent replays, to recognise the importance of addressing this.

3 COMMUNICATION

“ **The main change has been to increase communication around the office and within our teams.**

Head of UHNW / Family Office Coverage, Universal Bank

Satellite offices are now on a level playing field with head office, as everyone is working remotely. We no longer feel the odd ones out.

Regional Head, Private Client Investment Manager

Not having people physically around you makes it more difficult to supervise them. We are reviewing all oversight of working practices.

HNW Desk Head, Private Bank

In addition to regulatory compliance, it is the wellbeing of our employees that is uppermost in our minds, especially the younger ones and those living alone.

Deputy Head of Office, Private Client Investment Manager

Every firm has seen communication drastically increase since they have moved to the working from home model. A major concern for leaders has been for junior members of staff who have not experienced a market downturn and such corporate uncertainty and who may not have the support they would usually receive in the office. Managers are assessing the well-being of their employees and the impacts working from home may have on them.

Team leaders have increased the level of communication with their teams to ensure successful team management and support during this period. This has led to many managers finding they are now committing more time to internal VC's and have limited time to focus elsewhere in the business. Ironically, although this communication is necessary and welcome, the first few weeks of lockdown also led to an information and time overload. Managers are still finding the balance.

4 HIRING

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We have a number of roles still open at present and are continuing with them all. We are happy to screen candidates virtually but would not offer without meeting face to face.

Head of HR, Private Bank

We have no plans to stop hiring. We are more concerned about whether candidates will move in these times. We may need temporary resource in some functional roles if we cannot get permanent candidates on board quickly enough.

Chief Executive, Private Client Investment Manager

I would need to meet key people in the business face to face prior to signing an offer of employment contract. I would also need clear deliverables and expectations outlined for my first year that are in tune with the changed environment.

Candidate for UHNW Desk Head, Private Bank

Wealth managers have had different reactions to recruitment. Some have temporarily put most hiring on hold whilst others have continued with their recruitment processes by screening candidates virtually. Often it is the larger companies that put in place high level freezes whereas mid and small players can take a more bespoke approach to their plans.

The consistent theme is that new offers and acceptances are unlikely to take place in all but exceptional circumstances until key meetings have taken place face to face. Those that were already close to completion, or where offers were already outstanding, have largely continued as planned.



The main differentiator between businesses is whether to initiate or continue their recruitment processes behind the scenes. A small number of companies have put all activity on hold, regardless of the stage of a mandate. More typically however, businesses are keen to continue the 'leg work' of searches at this time, in order to have short listed candidates poised and ready to interview as soon as a return to face to face activity takes place.

Indeed, many businesses are comfortable completing early round interviews on a VC basis, holding off only for final meetings. This seems to be the mindset adopted by both prospective employers and candidates alike.

Interestingly, with most working from home, we have found it much quicker and easier to make contact with candidates and sources. Not only can they talk openly, but there is a thirst for knowledge and discussion about the competitor landscape. Therefore there is a surprising amount of search activity taking place behind the scenes, with just the final 'trigger pull' being delayed.

Many companies put hiring on hold through 2018 and 2019 due to Brexit uncertainty. Hiring activity then picked up distinctly towards the end of last year, especially post election, in anticipation of more certain times ahead. Indeed Q1 2020 was a record start to the year for Sheffield Haworth.

Covid-19 has therefore resulted in an unwelcome pause to this activity. Yet the general expectation is that this will further enhance the pent up demand and need for growth oriented hiring and strategies going forwards. Whilst the economy may suffer and remain sluggish for some time, it is expected that an end to lockdown will result in a sharp pick up in hiring, with a backlog of searches ready to close and complete.

5 LONG TERM IMPLICATIONS

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We are more likely to embrace hot desking in the future, but my concern is getting people back into a corporate environment having got comfortable working remotely.

Chief Operating Officer, Private Client Manager

I am expecting increased consolidation amongst smaller players, given the greater impact on those businesses.

Regional Head, Private Client Investment Manager

I believe active investing will come back to the fore, given challenging markets.

Chief Investment Officer, Private Bank

Despite the current slowdown in business development, our external facing members of the business will be the most important to kick start activity again when the market improves.

Chief Commercial Officer, Private Client Investment Manager

I believe that businesses with strong ESG propositions will benefit. Even if not directly related to Covid-19, investors' priorities will change through this.

Head of Portfolio Management, Private Investment Office

Remote working will from hereon be a notable feature of the corporate environment. Sales Leaders need to hone their management skills to account for this.

Head of Front Office, Private Bank

The long-term economic implications of Covid-19 are not clear and many wealth managers are preparing dual business plans. One for a prolonged economic downturn and one for the economy to make a V shaped recovery.

In a challenging marketplace many expect to see consolidation. Moving forward, companies now have the infrastructure in place and proven ability to work remotely. This will inevitably affect how often people will want to work from home in addition to the need, or otherwise, for extensive business travel.

Due to the personable nature of the wealth management industry all participants that we spoke to expect their clients to continue to prioritise face to face engagement rather than taking a virtual approach. However, digital working practices, information communication and paperless contractual relationships will inevitably become essential to remain competitive.

CONCLUSION

In conclusion, the overriding message appears to be that wealth managers have responded exceptionally well to these challenging times. Their focus has already moved beyond the logistical and emotional operations of remote working. Lockdown will end and the successful leaders will be those who have planned well in advance for their 'first 100 days back.'

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