

# DBS Private Bank Focuses on ESG to Win Over Asia's Next Generation Clients

Marc Lansonneur is Managing Director and Head of Managed Solutions, Balance Sheet Products and Investment Governance in the Wealth Management group at DBS Bank, as well as a member of the DBS Sustainability Council. He met with Hubbis to explain why ESG investing is winning more clients, especially amongst what DBS terms the 'next generation'.





## Executive summary

DBS has been making considerable headway expanding its private banking infrastructure and offerings across the region. While the bank has long held wealth management relationships with many of Asia's older and founder generation high-net-worth individuals (HNWIs), DBS is also dedicating considerable resources to an expansion strategy designed to strike a chord with what the bank calls the "next generation" of DBS clients. It has been tailoring more of its products, services, personnel as well as honing its delivery methodology to their investment outlooks, their style and character, and to their rising expectations of digital excellence.

Investment products guided by Environment, Social and Governance (ESG) principles are winning over more and more of this 'next generation' of clients, as they seek higher returns that are compatible with their increasingly global outlooks and lifestyles and as these clients express greater interest in the incorporation of impact investment components to their wealth management.

Hubbis met with Marc Lansonneur, who is at the cutting edge of DBS's ESG and governance initiatives. He explains how demand for some of the newer ESG-founded and impact investment products have been winning over an increasing share of the client wallet across the region.





## DBS HAS BEEN BUILDING ITS PRIVATE BANKING INFRASTRUCTURE AND OFFERING ACROSS THE

**REGION.** A key element of the expansion strategy involves striking a chord with the younger generation of actual and potential DBS clients, tailoring products, services, personnel and delivery methodology to their expectations.

"We are focusing intensively on what the bank calls the 'next generation' of private banking clients," Lansonneur reports. "We are accumulating a strong grasp of how this generation of HNWIs behave and think."

As a generalisation, he explains that this generation's parents are typically the first-generation entrepreneurs who have enjoyed a sustained, golden period of very high returns on their businesses and the equity they hold in those businesses, as well as high returns in marketable equities, as Asia's economic miracle has continued its dramatic ascent since the late 1980s, when more and more global capital began to pour into the region.

### Next generation – themes and concerns

"This next generation of private client investors is naturally somewhat less ambitious," Lansonneur reports, "as returns have become somewhat more normalised, so they appreciate that a 20% per year equity return is not so easy. These clients are also more international in nature and outlook and at the same time, they tend to be more open to working with advisers rather than exerting complete control like their parents. They can be receptive to working on new products that their parents' generation preferred to ignore, or that were not available.



MARC LANSONNEUR  
DBS Bank

Finally, they are more digital, more comfortable online."

Catering to this flexibility in outlook and growing interest in new opportunities, DBS has been building and conveying its vision of ESG investing. "We have focused more and more energy in this sector," he reports. "We believe a properly structured ESG portfolio allows investors to align their investments with their values while also searching for profitable companies that can outperform the broader market benchmark. While our ESG offerings are relatively new, they have so far attracted strong interest from investors. We've been busy building, introducing programmes to raise greater awareness of the benefits of ESG investing among our clients."

### ESG boosts returns

He reports that DBS has assembled considerable evidence that high ESG-rated companies tend to show higher profitability, higher dividend yield and lower idiosyncratic tail risks. And that they also tend to show less systematic volatility, lower values for beta and higher valuations. "This is not all about doing the

### Key Priorities

"Most private banking clients in Asia are overbanked," Lansonneur observes, "so our first mission is to work out how we can engage them and win over a larger portion of their investable assets. Our premise is that if we can offer clients interesting ideas and products that also outperform, then we can gain more of their portfolios. We want to be perceived as offering service and quality based on investment goals, by enhancing our clients' returns and our business."

Delivery of products and services is increasingly digital, and DBS has been making major investments in this area. The bank has been highly acclaimed in the industry for its digital transformation. "The second priority is to enhance and leverage the digitalisation of DBS for the benefit of our wealth management clients, both online and offline. We are developing a suite of digital tools for our clients, including portfolio advisory, simulation and so forth. The next generation wants to be more self-directed, and we at DBS aim to become part of the next generation's online ecosystem."

The third priority is to bring in younger relationship manager talent, bankers more closely aligned to the next generation of clients. "This is not directly my area of responsibility," says Lansonneur, "but as a bank, we recognise we need younger talents for the younger generation, although there is a considerable shortage in the market."

right thing,” he reports, “it is also about gaining extra value and higher returns.”

**“Is to generate measurable societal or environmental impact as well as financial returns. The fund seeks long-term total returns by investing in innovative companies globally, whose core businesses address the world’s major social and environmental challenges.”**

Lansonneur believes that in the future, companies will be extensively rated for ESG values just as debt is rated by the leading credit agencies. “We will hear that the investor will only focus on such and such a type of ESG rating for the company. It will also help remove the confusion between ESG and philanthropy. Social impact investing is no benchmark for philanthropy, it is all about investment based on ESG criteria and designed to help your investments outperform. It is not simply driven by a priority of ‘doing good’.”

Lansonneur reports that DBS Private Bank currently offers several key ESG products. For example, he refers to the RHB SRI KEHATI Index Fund, which targets investors who wish to invest in a local companies’ portfolio based on the principles of SRI (Sustainable and Responsible Investment) in Indonesia.

The Wellington Global Impact

### Getting Personal

Marc Lansonneur was born in a small town in the south of France named Hyeres, which is close to Marseilles, where he was educated until the age of 18. He later moved to Paris to attend the ESSEC Business School, which has now also expanded to Singapore.

The major portion of Lansonneur’s career from 1990 to 2009 was spent as an investment banker with Societe Generale, moving around various countries such as the UK, the US, Australia and Singapore. “The most fascinating time I spent was the decade as a trader in the commodity markets,” he recalls. “The wealth management business came later and I have thus far enjoyed four interesting years with DBS here.”

With three grown-up children, one of whom is still in Singapore, studying at international school, Lansonneur has time to enjoy his passion for rugby, spending time as a rugby coach for the Singapore Cricket Club’s junior academy in Singapore.

Lansonneur also has an avowed love of fine wines. “Coming from the south of France, this is rather natural for me,” he reports, “and I am constantly exploring new regions, finding new wines to enjoy. This year was the turn of Alsace, at the German and French borders. It was a journey of great discovery and pleasure, we uncovered some amazing value there. Incidentally, the food in that region is also outstanding, I had forgotten as I have not visited there for many years.”

Fund is a global equity fund targeted at DBS’ Singapore wealth clients. “The aim,” says Lansonneur, “is to generate measurable societal or environmental impact as well as financial returns. The fund seeks long-term total returns by investing in innovative companies globally, whose core businesses address the world’s major social and environmental challenges.”

And DBS’ Parvest Global Environment Fund focuses largely on industrial technology dedicated to environmental themes such as water waste, alternative energy, waste management and technology, sustainable food. Target clients are in Singapore and Hong Kong, Lansonneur notes.

He also highlights DBS’ role

in launching the USD8 million Women’s Livelihood Bond last year. “This, Lansonneur explains, “was the world’s first social sustainability bond to be listed on a stock exchange. Although relatively small it has an impact on the livelihoods of nearly 400,000 women in South-east Asia through microloans.” Investors benefitted from a coupon of 5.65%, with first loss and pro-rata guarantees in place. “Since its launch,” he notes, “the bond has been performing well, both financially and socially.”

Lansonneur reports that DBS has also recently launched what he believes to be the first structured product offered to Private Banking Clients in Asia which is purely based on ESG outperforming.



### DBS launches 'first' ESG structured product

DBS has offered its clients what the bank believes is the first structured note based on underlying ESG investments. The Call Warrant and Note offers a 'pure play' exposure to DBS clients to invest in ESG-compliant companies. "The investor," Lansonneur explains, "is able to extract the Alpha of investing based on ESG principles while being immunized to the Beta of the broad equity market."

The strategy is executed by investing in the MSCI Asia ESG Leaders Index, while simultaneously going short the parent MSCI Emerging Markets Asia Index. "Structured in this manner," he elucidates, "the investor realises the gains of the outperformance of the share price of ESG-compliant companies, which is the precise investment rationale for the strategy."

Accordingly, even if the broad market were to decline, so long as what DBS terms the 'Investment Thesis' is realised - namely that the share prices of ESG-compliant companies do not decline to the same extent as the broad market does - the investor would have a positive return from the strategy.

amount of money in just two weeks and the bank is soon to launch another tranche. "We have been delighted by the response," says Lansonneur, "which is perhaps five times what we had first envisaged."

DBS is pulling together a wealth management offering that the bank believes will resonate with

**"The investor realises the gains of the outperformance of the share price of ESG-compliant companies, which is the precise investment rationale for the strategy."**

"Further," Lansonneur concludes, "the Call Warrant wrapper enables the investor to make the investment while limiting their downside risk exposure to the strategy."

The offering has been a huge success for DBS, raising a large

Asia's next generation of wealth management clients, while also focusing on the many older generation clients that have banked with them for decades. "We want to differentiate ourselves in products, style, quality and delivery," Lansonneur concludes. ■