

MAN VERSUS

MACHINE

Depending on who you ask, robo-advisory will either reinvigorate wealth management or kill it off entirely. Four independent asset managers share their predictions, and explain what practical steps they are taking to stay ahead of the game



CAMILLA GIANNONI

Journalist, *Citywire*
Switzerland

cgiannoni@citywire.ch

With the relentless advance of technology and increasingly sophisticated devices now everyday objects, constant innovation has become essential for many businesses.

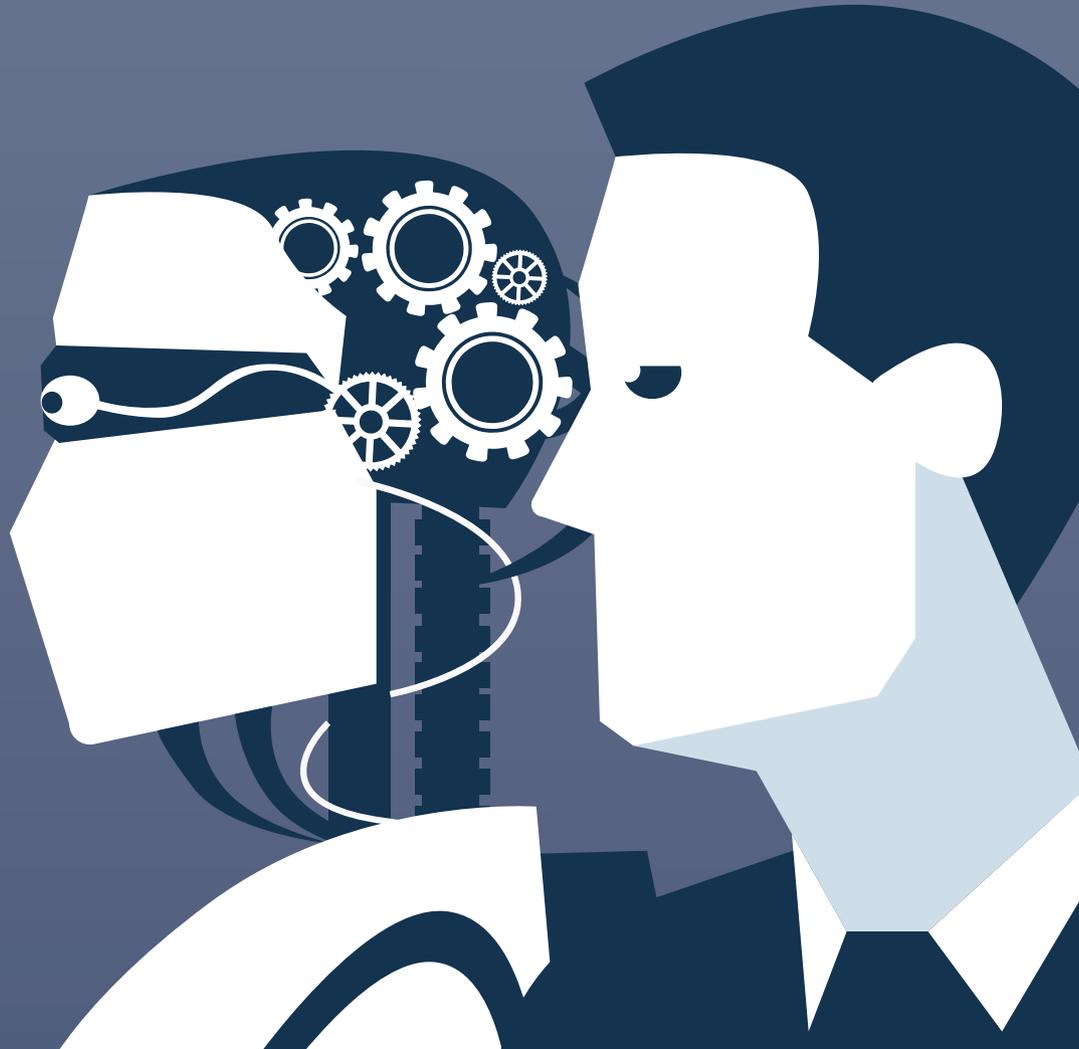
Wealth management has not been immune to these disruptive changes, and being up to date is more important than ever for both independent asset managers and their clients.

Robo-advisory in particular has been a controversial topic that has generated a heated debate between its detractors, who believe human advisers can never be replaced by cyber equivalents, and its supporters, who think robots will become vital parts of the financial planning process.

Robo-advisers may result in cheaper fees and improved interactions with clients, though they could potentially spell the end of the truly tailored, personalised approach.

On the following pages four wealth managers reveal what measures they are taking to keep on top of technological innovations, how they intend to exploit the new resources, and whether they believe robo-advisory is only a passing trend or one that is here to stay.

Juggling between a traditional approach and a more unconventional one, these experts provide an insight into their businesses and explain how they will tackle the upcoming challenges.





ADRIANO LUCATELLI
Descartes Finance
Zug / Zurich

So far, traditional wealth managers have struggled with the idea of robo-advisers. This is not only for fear of cannibalising their own business and losing revenues, but also because they are scared of cultural change.

But it would be a mistake to write off disruptive ideas and business models around digital, automated asset management as mere hype or fashion and continue as though nothing had happened.

Used properly, robo-advisers can make the business of investing more honest, transparent and cost-efficient – all of which goes down increasingly well with customers.

It's clear that robo-advisers on their own won't be able to meet the entire spectrum of client needs, as over-standardising and excessive automation leave no room at all for individuality.

On the other hand, by combining the efficiency and systematic approach of a robo-adviser with the advisory skill of human beings it's possible to respond much more effectively to personal preferences. A hybrid advisory process fusing human and digital capabilities is particularly good when it comes to supporting investors at key phases of their life, for example getting married, buying a home or retiring.

Given this, the hybrid business model adopted by Descartes Finance may well embody the future of financial advice.

Robo-advisers aren't going away. This means that if established wealth managers want to continue creating relevant advisory experiences and generating sustainable revenues, they'll have to review and adapt their business models accordingly.



FRANÇOIS SIEGWART
EMC Gestion de Fortune
Geneva

How can you redesign a successful investment management process for the age of digital transformation? At EMC Gestion de Fortune, a thorough investigation was initiated three years ago into how to embrace innovative technologies based on cutting-edge algorithms and artificial intelligence. As we did not want to miss the digitalisation train, we opted to partner and experiment with a leading robo-advisor provider.

EMC has built its reputation on high-quality servicing as well as robust and consistent performance. Given that the quality of output is determined by the quality of the input (so-called 'garbage in, garbage out'), it was out of question for an active manager such as EMC to leave it to a robot to select the 'ingredients'. Instead we identified potential value addition in better mixing the carefully selected investment vehicles.

EMC therefore designed a two-stage hybrid model consisting of adding a robo-overlay to the fundamental security selection.

In the first stage, the EMC investment team continues to select securities based on what has worked so far: a clear focus on so-called 'quality investments' (e.g. stocks of companies with resilient business models) trading at reasonable valuation levels. A proprietary screening tool and fundamental analysis support the selection of stocks.

The robo-advisor then operates in the second stage. Based on the defined risk parameters, the algorithm works emotionlessly on all available market data within this narrow investment universe and assists in portfolio construction and risk management. Depending on market conditions, the robo-advisor could even advise adjustments on a daily basis.

Based on our internal real-life comparisons so far, the robot is performing broadly in line with traditional human expertise, but with a somewhat different return pattern and risk metrics, therefore adding value by complementing the traditional approach with a different investment style.

For UHNWI and HNWI clients looking for high-end tailor-made solutions with face-to-face interaction and servicing, both traditional and hybrid investment management look attractive. Likewise, we believe that 100% robo-advised portfolios might be appealing to Millennials and Generation Z looking for do-it-yourself and low-cost digital solutions.



MELANIE STAUFFER
Alchemy Capital
Zurich

Today, all our lives are being penetrated by new technologies, digitalisation, robots of all shapes, forms and capabilities. I am currently staying in Dubai and believe it or not I was advised about the state of my health by a smart toilet. It might appear that robots and machines with artificial intelligence are taking over our lives, but we are still decades away from this scenario.

Nonetheless, Alchemy's business is grounded in the belief that an elegant combination of traditional, one-to-one relationship management and advice and ultimate Artificial General Intelligence (AGI) systems can be profitably applied to the field of investing. One without the other will not offer sustainable solutions.

We believe that advisory always needs to be done by a human being in order to interact on a human level, feel the client as well as the market, and sense the nuances of sentiment shifts.

In trading, however, we are applying a combination of sophisticated human, machine and artificial intelligence to solve complex problems for our trading strategies.

AGI is an emerging field that aims to build thinking machines; that is systems with intelligence comparable to that of the human mind, and perhaps ultimately beyond human general intelligence.

In close collaboration with some incredible people, we are working on ways to make computers function like the human brain. We are pioneering unrivalled trading systems for forex and futures built on AGI, which are fully autonomous, self-learning and self-adapting.

GAIA is our novel multi-agent AGI assistant based on cognitive architecture. Unlike a robot, GAIA is not programmed and only given a mission and a fixed frame. It is a self-learning system without any human intervention and therefore a 'true' artificial intelligence system.

We have not opted for offering artificial intelligence systems to cut costs. Of course, a machine costs less than a trader over the long term, but what we wanted is to create some healthy internal competition and have a system that is absolutely free from human ego. The human ego often stops us from making clear and logical decisions.

Most importantly, we want our clients to be part of this monumental shift in prediction and trading technology.

Hence, we are proud to be an intelligent fusion of traditional, highly personal wealth management and technology at the frontiers of knowledge.



ALLAN MAKSYMEC
Strategic Swiss Advisors
Geneva

I think the robo-advisory trend is here to stay. It's a natural progression of digitalisation, and I believe people should embrace it and think about it as a tool rather than a threat. There are mundane tasks that can be automated and standardised as a result of such innovations. This will be a positive development for asset managers and their clients.

Technology is only going to get more ingrained within finance, and we cannot put the genie back in the bottle, even if we wanted to. We only work with banks and institutions that are investing in and continually upgrading their software and systems. Clients benefit from our improved efficiency to find investment opportunities, as well as monitor risk in real time. There is no doubt that our AI integration will accelerate at Strategic Swiss Advisors, giving us more time to serve clients.

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