

Consultative Selling & Portfolio Structuring for Private Wealth Managers

3 Days

COURSE OVERVIEW

Global market turbulence has caused private clients to lose confidence with existing relationships and many are switching their relationship banks and moving assets. As confidence returns, clients will seek out accomplished, professional relationship managers best able to manage their wealth and exceed expectations.

This means they will seek out professional relationship managers best able to understand their needs and concerns, and who possess the ability to construct world-class investment portfolios.

LEVEL

Intermediate

WHAT WILL I GET OUT OF IT?

By the end of the course participants will be able to:

- Understand risk profiling principles
- Analyze clients' needs by understanding their behavioural biases
- Develop framework and tools for client risk profiling
- Construct behaviourally-optimized investment portfolios for the clients
- Strengthen asset allocation and portfolio management decisions

WHO'S IT FOR?

This course is beneficial to private wealth managers and asset managers; investment management professionals who advise on or participants in the design and implementation of asset allocation policies and portfolio models

COURSE CONTENT

Investor Profiling and Psychology

- Traditional approaches to profiling private investors
- Limitation of risk profiling questionnaire
- New approaches to profiling the clients
- Understanding what motivates other people's investment and financial behaviour
- Psychological buttons of fear, greed and panic

Behavioural Finance for Private Bankers and Their Clients

- What is behavioural finance?
- What private bankers and their clients need to understand about behavioural finance
- Common behavioural finance traits
 - Over-confidence and over-reaction bias
 - Myopic loss aversion
 - Framing and coding
 - Cognitive dissonance
 - Representativeness
- Practical examples of behavioural finance traits at work in the markets
- How do investors really interpret the behaviour and performance of assets
- How practical application of behavioural finance can help create a successful advisory relationship

Diagnostic and Profiling Tools in Designing the Portfolio

- Individual investor satisfaction and utility analysis
- Risk profiler based on mean-variance framework
- Integrating behavioural finance in the risk profiler
- An integrated approach to asset allocation decision-making for private clients
- Strategies for maximizers, builders and preservers
- Strategies for “satisfiers”

Applying Post-Modern Portfolio Structuring for Private Clients

- What private bankers need to know about post-modern portfolio theory
- Problems with standard deviation
- Downside deviation
- Target rate of return and upside potential
- What is the risk control mechanism for the portfolio?
- Applying the principles of post-modern portfolio theory in private client portfolio management

Asset Allocation and Portfolio Structure

- Phases and cycles in asset allocation
- Matching asset classes with wealth levels and income needs
- Factors affecting individual investors’ asset allocation decisions
- Market cycle analysis – factors influencing asset prices in different phases
- Portfolio construction and asset recommendation

Case: Base on asset size of \$10 million, design portfolios for maximizers, builders and preservers

Bonds and Stocks in the Market Cycle

- How asset classes behave during the cycle
- Recognizing cycle turning points
- Proper interpretations of economic indicators
- Sequential linkages of economic indicators
- Tactical adjustments in the bond market
 - Switching decisions in terms of credit risk, duration and issuer sectors
- Tactical adjustments in the stock market
 - Switching decisions in terms of betas, investment styles, and industry sectors

Case: Tactical asset allocation: using historical scenarios, participants working in groups will make their allocations and analyze the results

Asset Allocation Rebalancing and Restructuring in Response to Market Moves

- Advantages and disadvantages of rebalancing
- Scope of rebalancing
- Asset allocation rebalancing approaches
- Critical successful factors in rebalancing
- Choosing a rebalancing approach to match the client's risk tolerance

Demand for Total and Absolute Return Products by Private Clients

- Why private clients are becoming more absolute and total return oriented
- The difference between absolute and total return
- Convergence of absolute and total return
- Why do investors buy total return and structured products
- Overview of total return and structured products
- Uses and applications of total return and structured products in portfolios

Case: Positioning absolute and total return products appropriately

Building Blocks of Financial Engineering for Private Bankers

- Structural vs. investment alpha
- The basic building blocks of financial engineering
- Common structures found in volatility and arbitrage structures, exotics, etc
- Downside protection vs. upside return potential

Case: Designing simple structures to match a client's views and risk tolerances

Risk Reduction and Return Enhancement Opportunities and Strategies

- Risk reduction and return enhancement opportunities
 - Currency markets
 - Equity markets
 - Credit markets
- Structured products menu
 - Commodity-linked notes
 - Credit-linked notes
 - Currency-linked notes
 - Equity-linked notes
 - Interest rate-linked notes

Case: Applications of structured products

Consultative Selling and Account Development Skills for Private Bankers

- Developing a systematic way to think about clients' investment
- Identifying new opportunities within a relationship
- Understanding customer life-cycles and the sales process

Case: Customer life-cycles and the sales process

The Wealth Management Industry in 2010 and Beyond

- Transition from "accumulation" to risk management
- "Outcome" orientation

- Separation of alpha and beta
- Convergence and evolution of alternatives

Course Conclusion: Putting It All Together