

UCAP Asset Management Hong Kong: An Independent, Local and Globalised Model

Sambit Mangaraj, Co-Founder and CEO of UCAP Hong Kong Asset Management Limited, is energised by the potential for the independent wealth management sector in Asia. Market growth in Hong Kong, which serves the satellite countries including China, remains buoyant, while perhaps the only major impediment to even faster expansion for Mangaraj and colleagues is continuing to find the right people to join the firm.



Executive summary

Union Capital Asset Management's website states that its mission is simple, namely the creation of a worldwide network of wealth management entities harmonised in the pursuit of long-term capital appreciation for their clients. But what does this mean for UCAP Asset Management Hong Kong? Sambit Mangaraj, Co-Founder and CEO of the firm, recounts his vision for growth of the independent wealth firm he heads, which has in the past four years blossomed from a two-man start-up to a vibrant business of 18 people and still growing.

The growth potential is certainly everywhere to be seen. Mangaraj notes that the high-net-worth (HNW) market segment continues to grow fast globally and the ultra-HNW segment is expanding at a compounded rate of 7% per annum. He believes that global banking institutions have increasingly diminished the scope of their personalised services, opening the door increasingly for independent wealth management firms to provide more personalised, comprehensive and independent services and advice HNW and ultra-HNW clients need.

UCAP operates according to an open-architecture model, with each of its constituent wealth management offices around the world functioning as an independent firm. The offices serve both as local service providers and as points of access to UCAP Asset Management's worldwide universe of partner institutions, with whom the group contracts as a single entity.

Mangaraj says this structure guarantees firm's clients access to institutional pricing power while preserving regulatory sovereignty and bespoke approach for which they sought private wealth management services in the first place.

The brisk growth of past four years continues, he reports. Key focus remains to hire more research, investment and relationship management expertise, which would enable UCAP to keep bettering their offerings faster than rest of the market.



“THE KEY TO OUR model here in Hong Kong and the way we interact with the group companies is building a network of businesses that can interact across borders and tap into each other’s expertise and network,” Mangaraj reports. “We are owned and operate independently, but we can draw on the resources and arrangements of global group of companies to benefit our business and the value we add to clients.”

Mangaraj observes that the key to building a strong private wealth business has been the ability to maintain and build strong relationships with their clients backed by a platform which provides a slew of specialized solutions for clients. In recent years there is an increasing tendency of private wealth service providers to accumulate in sprawling, international holding companies which makes it difficult to customize solutions specific to different client needs across geographies. “Such structures,” he comments, “hinder the local expertise of the asset manager by imposing management and regulatory burden of the holding structure and its domicile.”

Within the larger Union Capital Group there is a bank, an insurance company, a trust company, capital markets business, broker-dealer licenses and asset management companies. “Each business is separately owned and managed and is responsible for its development, but we can work with counterparts in the group to provide globalised solutions and different expertise.”

A different proposition

Mangaraj reports that UCAP has a different value proposition driven

Getting Personal

Sambit Mangaraj is the Co-Founder and CEO of UCAP Hong Kong Asset Management and has built up experience of more than 18-years working in the financial markets, providing securities dealing, wealth management, and client advisory services including distribution and marketing of investment products to institutional and high-net-worth clients.

He has previously worked in a number of leading regional and global financial institutions. His last stint being Managing Director in EFG Bank, Hong Kong.

"In my working life," he explains, "I have tried to gain as broad an exposure to the financial world as possible, which has greatly helped me understand products and markets from capital markets to insurance to private banking and wealth management. My first experience of private banking was with EFG Bank, and I was attracted to join them because it was truly an interesting model. The entrepreneurial spirit that existed in the bank helped me build a successful career in Private Banking."

Mangaraj has a variety of pastimes outside work "Running and hiking are a passion these days outside work" he explains. "I recently went hiking to the Everest base camp, which took nine days one way. It was incredibly demanding physically, but the majesty of the mountains was truly unforgettable." Mangaraj hopes to return again, this time to go to the summit of Imja Tse in Nepal, which stands at 6,189 meters (20,305 ft). "A great challenge and adventure awaits" he reports.

by experience and entrepreneurial endeavour, which is the foundation of its rapid growth in past five years. “In this time,” he explains, “UCAP has established fully-licensed entities in several jurisdictions around the world, serving sophisticated investors in an individual, bespoke manner.”

Mangaraj explains that armed with appropriate licences in Hong Kong, the firm provides discretionary and advisory services to clients based on the mandate they want

the firm to run. “We work independently with a few investment banks and custodians here,” he notes, “we do not hold client assets as those are custodised with the banks. We focus on achieving the optimum solution to a client’s requirement. This may mean providing better execution platforms, better service, most efficient pricing or cherry picking Investment options which helps the client in achieving his or her Investment objective. We are not constrained to sell a specific



SAMBIT MANGARAJ
UCAP Hong Kong Asset Management

product or achieve a budgetary goal for the firm. The interest between the client and us is truly aligned. With this strategy, we have built the firm to 18-strong team here in Hong Kong in four years.”

Seeking freedom of expression

Mangaraj believes bankers are attracted to his firm because of ongoing consolidation in private banking industry, leaving experienced relationship managers yearning for level of independence and client focus they might have had in the past.

“We see that some bankers want to be freer to provide solutions they know the client seeks by working in an open-architecture environment choosing from different providers in the market,” he explains. “If you look at private banking industry at the moment there is a lot of constraint in terms of what the bankers are allowed and not allowed to do, because of the issues that banks have. For example, decisions taken by regional or global decision makers at a bank might not be what the local offices want, but they have to abide by the big corporate restrictions.”

The momentum for growth – people

“We are focused on growth here in Hong Kong,” he reports, “The key differentiator, as always, is finding the right bankers to keep our expansion going. We have always focussed on entrepreneurial bankers who want to work with our platform.

Mangaraj and his team believe that there are bankers who have excellent client relationships they want to leverage.

Bankers who have a commonality of purpose and ethos with UCAP and who are prepared to take the leap. “Here as an independent relationship manager, a banker can actually increase the assets under management from their clients, without having to consolidate under one platform. Secondly, the

banker who joins us to potentially make more revenue and add greater value to the client.”

Great potential lies ahead... consolidation too

Mangaraj believes there is great potential for the independent wealth management industry in Asia in the coming years. “Those that have simply sprung up without any real ‘USP’ to attract clients or those highly localised firms, will likely struggle. This could be due to increase in operational expenses or lack of achieving the optimum scale of operations. For example, I am sure the regulators here will sooner or later cease the retrocession model. Thus a firm would have to build enough in-house product and advisory capabilities to drive revenues.”

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engagement point with client is more intense with us, as we are able to monetise a whole range of services that perhaps are not an option in corporate bank set-up for internal reasons.”

Mangaraj also dismissed bankers assuming that economics of working with an independent platform such as UCAP do not work. “The rewards are most certainly here for those bankers that bring the assets, as we secure better prices and can provide more holistic solutions for their clients. In short, we offer a much broader platform for the

The result, he expects, will be that of some smaller, localized firms potentially ceasing business and others consolidating into larger independent entities.

“Growth from the client base,” he adds, “will be driven by clients and bankers realising that it makes less and less sense to be with one platform. The banks, for instance, have increased pressure on their cost to income ratios and these pressures are passed on to the bankers. Independent models would start becoming more and more attractive working platforms.” ■



Key Priorities

Scanning the horizon two or three years ahead, Mangaraj says his first priority is to keep enhancing and building a top-class product advisory model internally. "This means hiring more analysts, more product experts, producing more unique ideas. As I have said the retrocession model encourages reliance on trades from the banks and other third-party product providers that might not be objectively the best things for the clients. Accordingly, we must add more value to the client in terms of their investments. So, we need professional investment experts who can sift through the vast range of products and ideas and give the proper advice on an asset allocation model. It is all about building more capability and transparency."

The second core priority is to hire the right talent. "As we discussed, right people who see the value in our model and are willing to transition into this environment are key to growth."

Mangaraj elucidates by explaining that this does not necessarily mean that only the bankers with the longest experience will succeed in an independent set up, as they sometimes find it difficult to adapt outside the corporate infrastructure.

"Sometimes, we have found that moderate or less experienced bankers have flourished with our platform. As a result, we do not have fixed ideas on who can perform with us here. We are open to simply finding the right fit. If I were to describe a typical profile it would be somebody who has at least 8 - 10 year experience in private banking and who is managing USD150 million or more."

The third priority for Mangaraj would be to continue to explore how to build an efficient brokers and trade execution partners which can be plugged into existing custodians that they work with.

"This would help us expand efficient custody options for our clients. Most custodian banks at the moment do not permit empanelling new brokers. If that can be done, costs for clients would go down, trade executions would be more transparent and it would enable firms like us to move away from retro models and enhance fee based advisory revenues"