

Driving Innovation

In a crowded wealth management space, award-winning investment manager Thirdrock distinguishes itself through a comprehensive, independent and innovative offering



From left: Thirdrock CEO Jason Lai and Melvyn Yeo, Executive Partner

In 2010, a simple desire to serve the needs of ultra high networth (UHNW) clients more effectively led to Jason Lai setting up independent asset manager Thirdrock.

"Over the course of my financial career, I recognised that an increasing number of clients felt – to varying degrees – that a traditional asset management model doesn't meet their needs," said Mr Lai, Thirdrock's founder and CEO. "They look to an independent set-up with greater levels of transparency, operational efficiencies, and alignment of interests to achieve their objectives."

Seeded by a handful of Asian billionaires, Mr Lai, the former country market head of a private bank, took the plunge. Recognising the need for proper governance, a regulatory compliance function was set up from day one.

Today, Thirdrock's transparent, objective and holistic approach to preserving and growing wealth is paying off.

It now supervises more than US\$2 billion in assets and has diversified beyond its original investment advisory focus.

On top of an open architecture wealth management platform and discretionary portfolio management services, the firm runs a long-short Asian equity fund and a newly-launched multi-strategy quant fund, along with other thematic discretionary strategies. Its use of financial technology for regulatory, portfolio management and reporting functions has improved efficiency and put the firm at the forefront of latest developments in the space.

Through its corporate advisory arm Thirdrock ISSEA Advisers, Thirdrock also offers mergers and acquisitions, corporate finance and restructuring advice to its clients.

The firm's network also enables investors to take advantage of private equity opportunities.

"We have established a strong pipeline and variety of deal flows across different sectors, geographical regions and stages of a company's life cycle. Our clients form an exclusive club of investors with privileged access to such deal flow," Mr Lai said.

For its efforts in serving clients, Thirdrock clinched the "Best Independent Wealth Manager" award at the WealthBriefingAsia Singapore Awards this year.

Deep investment expertise

Wealth managers would not be successful without breadth and depth in its investment expertise. Mr Lai said that the firm has managed to attract very senior and experienced wealth management veterans who have hit the ground running.

Its investment team numbers around 20, half of whom are client advisors. They mostly have global investment and private banking careers in prominent firms spanning 20 to 40 years, he said.

Strengthening the team to meet the diverse financial needs of clients will continue to be a priority in the years ahead. In fact, the firm hired a dedicated investment strategist this year so clients and client advisers can benefit from independent value-added market insights, strategies and product solutions. Combined with its independent asset management model, the investment expertise of Thirdrock's advisers give clients an ideal solution to wealth management.

"We are driven by solutions, not products," Mr Lai said.

As advisers are not affiliated with any bank or service provider, clients get unbiased advice aligned to their interests and goals. They also enjoy the peace of mind to hold their investments with top-tier banks of their choice.

Clients can also choose to entrust their assets to the firm's discretionary management service. Thirdrock's team of portfolio managers, all formerly from top fund houses, not only tailor highly bespoke discretionary portfolios for clients, but also offer a suite of ready-made strategies. The firm is rolling out a series of four standardised discretionary strategies: Conservative, Balanced, Aggressive, and Alternative. It also has a value-based, long-only equity strategy and various fixed income investment strategies tailored to risk preferences and investment horizons, all managed by award-winning portfolio managers. At the other end, those who prefer a hands-on approach can regularly interact with advisers to exchange ideas.

In-house funds

Thirdrock currently offers two in-house funds for its clients.

The Thirdrock Asian Affluence Fund is a long-short fund that invests in Asia-focused stocks with an emphasis on Hong Kong and China, as well as sectors geared to domestic demand.

It has returned more than 7 per cent since the start of 2015, compared to the MSCI USD Asia Ex-Japan benchmark, which fell due to global concerns.

"The fund's deeply fundamental stock picking approach can exploit opportunities across Asia," Mr Lai said.

"The policy framework within the region is broadly attractive, and valuations are at the low to moderate end of the range."

A more recent fund, PTQ, was launched in June. PTQ is a multi-strategy quant fund that invests across different asset classes and geographies. It utilises statistical arbitrage, momentum, event-driven and risk premia strategies, aiming for returns amid low portfolio volatility. Key to reducing portfolio volatility is its asset allocation and diversification mechanism which adjusts dynamically to changing market conditions, making it a suitable alternative for investors in search of stable returns.

A tracking portfolio simulated in advance of the fund's launch returned 19.21 per cent net of hypothetical fees and costs in 2015.

"We are confident that PTQ's approach will deliver optimal risk-adjusted outcomes for investors," Mr Lai said.

Thirdrock plans to continue to grow its fund management offerings, which form a key pillar of its business.

In-house corporate advisory

Complementing Thirdrock's independent wealth management model is its in-house corporate advisory arm Thirdrock ISSEA Advisers. Today, the advisory segment has a team of bankers with particular expertise in sectors spanning healthcare, real estate, oil and gas services, consumer and retail, technology media and telecommunications (TMT), infrastructure and renewable energy.

Thirdrock's executive partner Melvyn Yeo shared that clients appreciate that they are served by a single firm with a deep knowledge and appreciation of their corporate and personal financial needs.

One transaction it advised on involved helping first-generation business owners who were looking to retire. Thirdrock was able to bring in a friendly private equity investor to not only facilitate a management buyout, but also to help the second generation continue to manage and grow the business. In another transaction, Thirdrock was able to facilitate a share divestment by a client whose listed firm was taken over by a major private equity firm.

"By building good rapport with key shareholders and management, our team successfully negotiated an amicable exit," Mr Yeo said.

Investment ideas, expansion plans

Looking ahead, asset prices are stretched and the firm is advising its clients to buy put protections against equity portfolios, along with US Treasuries, Mr Yeo said.

He likes the renewables and clean technology sector, citing growing awareness and interest from long term institutional investors.

"Structurally, costs of production are falling and technologies allowing for higher energy conversion and output are improving," he said.

Renewable infrastructure assets, meanwhile, can yield 10 to 15 per cent a year for 15 to 25 years, providing stable and attractive cash flows.

"This should form a portion of clients' portfolios and can be accessed via listed business trusts and infrastructure funds dedicated to the renewables sector," he said.

Mr Lai, the founder-CEO, said his priority for Thirdrock is to stay relevant and profitable, even as new generations of affluent entrepreneurs with higher expectations come to the fore.

"We need to continue to innovate to add value to our clients, whether through the use of technology or the provision of comprehensive, holistic solutions for our clients."

The firm is also planning to expand to Hong Kong in the coming year to become one of the few independent asset managers in Asia operating in both cities. Clients will also stand to benefit from the firm's access to a wider scope of investment opportunities.

"What keeps us going in the business is the validation of our unique business model," he said.

"This is seen not just through our internal growth but more importantly our ability to grow and preserve the wealth of our clients for future generations."

Use of fintech improves efficiency

Thirdrock has also worked with or invested substantially in a number of financial technology (fintech) companies through the years.

They serve a spectrum of needs including risk-related regulatory functions, portfolio management, and management reporting.

Melvyn Yeo, Thirdrock's executive partner, believes that keeping up with cutting-edge technology will give it an edge as an independent asset manager.

"Fintech can give clients top-notch service and investment performance, and help the firm exceed regulatory standards," he said.

"More importantly, these are achieved without significant increases to Thirdrock's operating cost base, allowing us to scale our business swiftly, efficiently and profitably."

Companies which the firm partners with include an information technology (IT) services provider that maintains the firm's IT infrastructure, and a well-established Hong Kong-based fintech firm which provides consolidated portfolio management and reporting services for Thirdrock.

Thirdrock also uses fintech for investment platforms to generate and execute trade ideas while integrating suitability constraints.

Developments in the fintech space will bring radical changes beyond the current buzz around robo-advisors, he said.

These robo-advisors might soon be replaced by start-ups that integrate artificial intelligence, natural language and deep learning technologies.

"The use of technology not only empowers our client advisors and enhances their value proposition, it frees them from the more administrative aspects of their jobs so they can focus more on meeting clients' needs. This improved level of service can only be exponentially beneficial to our clients," said Mr Yeo.



"The only people who see the whole picture are the ones who step out of the frame."
Salman Rushdie

Forward Thinking. Thinking Forward.

Seeing the bigger picture is fundamental to how we manage your investments. As an award-winning independent investment manager, we take an objective and holistic approach to understanding your unique financial needs before providing investment expertise to develop a bespoke portfolio that reflects your goals and complements your vision.

Thirdrock defines the best of what you should expect of your investment manager – a comprehensive suite of investment solutions, backed by the expertise and commitment of our investment team; a comprehensive technology platform powered for high-impact investment insight, portfolio analysis, and compliance and risk management; as well as a trusted network of top-tier partners for solutions in alternative investments, real asset investments, succession and tax planning. All to help you grow and preserve your wealth for generations with the personalised and attentive service that you deserve.