

Modern and Mature

Having been active in the region for fifty years, Lombard Odier are well placed to notice growth in the sophistication of the market and the evolution of client requirements. Arnaud Leclercq, Partner Holding Privé and Head of New Markets at Lombard Odier, talks with MEA Finance about the changing wealth management environment

By **MEA Finance** - March 15, 2022



Arnaud Leclercq, Partner Holding Privé and Head of New Markets at Lombard Odier

The demographics and demand exist, but are all the services in place to support a mature private banking and wealth management sector in the region?

The Gulf Cooperation Council (GCC) and broader Middle East have made great strides in implementing structures to develop a regulated and professional wealth management offer. Central banks, together with regulators and financial services authorities, are increasingly collaborating to create a dynamic ecosystem, providing investors with diversified solutions for their private banking requirements. Abu Dhabi Global Market (ADGM) and Dubai International Financial Centre (DIFC) have also introduced innovative measures to provide investors with diversified opportunities and greater liquidity – from new, alternative assets and securities to green finance and crypto. This is underpinned by an evolving regulatory framework to expand access to emerging investment opportunities such as tech and fintech. The introduction of a Virtual Assets Regulatory Framework is another recent move that regional investors have welcomed.

To take account of this development, we opened in 2019 our office in Abu Dhabi to serve our local clients better with bespoke onshore wealth solutions. In fact, we were the first Swiss private bank to open in the prestigious Abu Dhabi Global Market. We are committed to building a strong presence in the Middle East, and the UAE is one of its largest wealth markets. Having opened our office in Dubai in 2007, our Abu Dhabi branch is testament to our faith in the growth and economic stability of the region and our confidence in the Emirates' future as a key business location and wealth generator. Since 2012, we have also offered clients investment solutions in-line with the principles of Islamic Finance and have developed a discretionary mandate which has been officially certified as Shariah-compliant.

Have events in the past two years affected the demand for diversification in clients' portfolios?

We are noticing that the next generation of investors is increasingly sophisticated in terms of investment outlook, and they are keen to diversify their investments to offset market volatility. Over the last two years, we have seen ongoing investments in global public and private equities and fixed income, alongside more risk averse strategies such as ETFs and Index funds. An underlying theme once again has been a requirement for wealth management advice. This advice should be macro in its outlook, supported by a digital ecosystem allowing investors to access their investments, along with tailored financial information to facilitate ongoing investment decisions. The pandemic has also demonstrated that as well as investing in what works today, investors need one eye on tomorrow, and that means ensuring sufficient diversification and exposure to evolving assets such as technology, emerging markets, ESG and more. This is where the advice of a trusted advisor is key, enabling investors to receive the guidance to make the right investment decisions.

We see sustained and growing demand for Shariah Compliant investments. Whilst Shariah finance has long been a mainstay in the Gulf, the pandemic has further accelerated appetite for Islamic finance on account of its stability and alignment with many ESG criteria. Ongoing market volatility has prompted many investors to place greater emphasis on more ethically focused, ESG compliant strategies, many properties of which are shared by Shariah assets. As such, we have witnessed the pandemic drive further capital into Shariah finance, led especially by younger generations of investors looking to preserve their family wealth and build on their inheritance for the long term.

In this context, Lombard Odier decided to partner with SEDCO Capital. Since our investment solutions expertise is aligned with SEDCO's on the principles of both Islamic finance and sustainability, we decided to work with them to create a Shariah compliant equity fund following ESG principles. This ground-breaking investment strategy is also in line with European UCITS standards.

How do your clients in the region feel about using digital channels?

At Lombard Odier, we have a strong digital offering. However, we are first and foremost a business based on human relationships, and our technology fundamentally serves to enhance this. Lombard Odier has been active in the region for 50 years, forging long-term

relationships with clients. It is of the utmost importance for us that we listen to our clients in order to understand their risk appetite, the time horizon of their investment and aspirations, and in turn to provide them with the best possible investment advice and solutions. This is the professional and personal touch for which we are known. Once we have discussed and agreed an investment strategy, our digital tools empower our clients to have active or passive participation, as they desire.

We invest substantially, year after year, in our state-of-the-art proprietary banking technology platform, to provide an outstanding user experience and investment execution. Our 'My LO' interface, online and in app format, also allows clients to view and manage their assets across multiple accounts and countries supporting them in their digital journey

How frequently do clients ask you to factor ESG considerations into their investments?

Essentially all of our client discussions now address sustainability or ESG factors in some way. At Lombard Odier, sustainability is in our DNA and has been our core philosophy throughout our 226-year history. Our Islamic finance solution is naturally embedded in our sustainability approach because they share a number of common values, such as social responsibility. By offering a sustainable range of investments, from green and climate-oriented bonds, ESG-driven equities or natural capital investments, we not only focus on our core values by investing for the benefit of the planet, but also deliver better long-term performance for our clients.

In 2019, we became the first global asset wealth manager to attain certified B Corp status, one of the world's most advanced ratings for corporate sustainability. On the investment side, all of our research is done progressively through the filter of sustainability, which we are now embedding into all our investment processes. We are industry leaders in this regard. In line with Shariah, we seek to have a positive impact on society and the environment. As a family business with long-standing legacy values built around sustainability, independence and its role in society, Lombard Odier's offering is about building on this more than two-century legacy.

Sustainable investing and the environment are also gaining importance in the Middle East in general, as evidenced by Egypt and UAE hosting COP 27 & 28 respectively. Indeed, sustainability has risen to the top of policy agendas, driven by population growth, increased consumption, swift development, an arid climate, a lack of water and arable land and a need to shift economies away from oil dependence. We have seen a shift in investors' mindsets, who now believe that sustainable investing will be crucial to unlock future returns. Lombard Odier is here to support them with our tailored approach, which focuses on preserving and growing our clients' wealth over the long-term.
