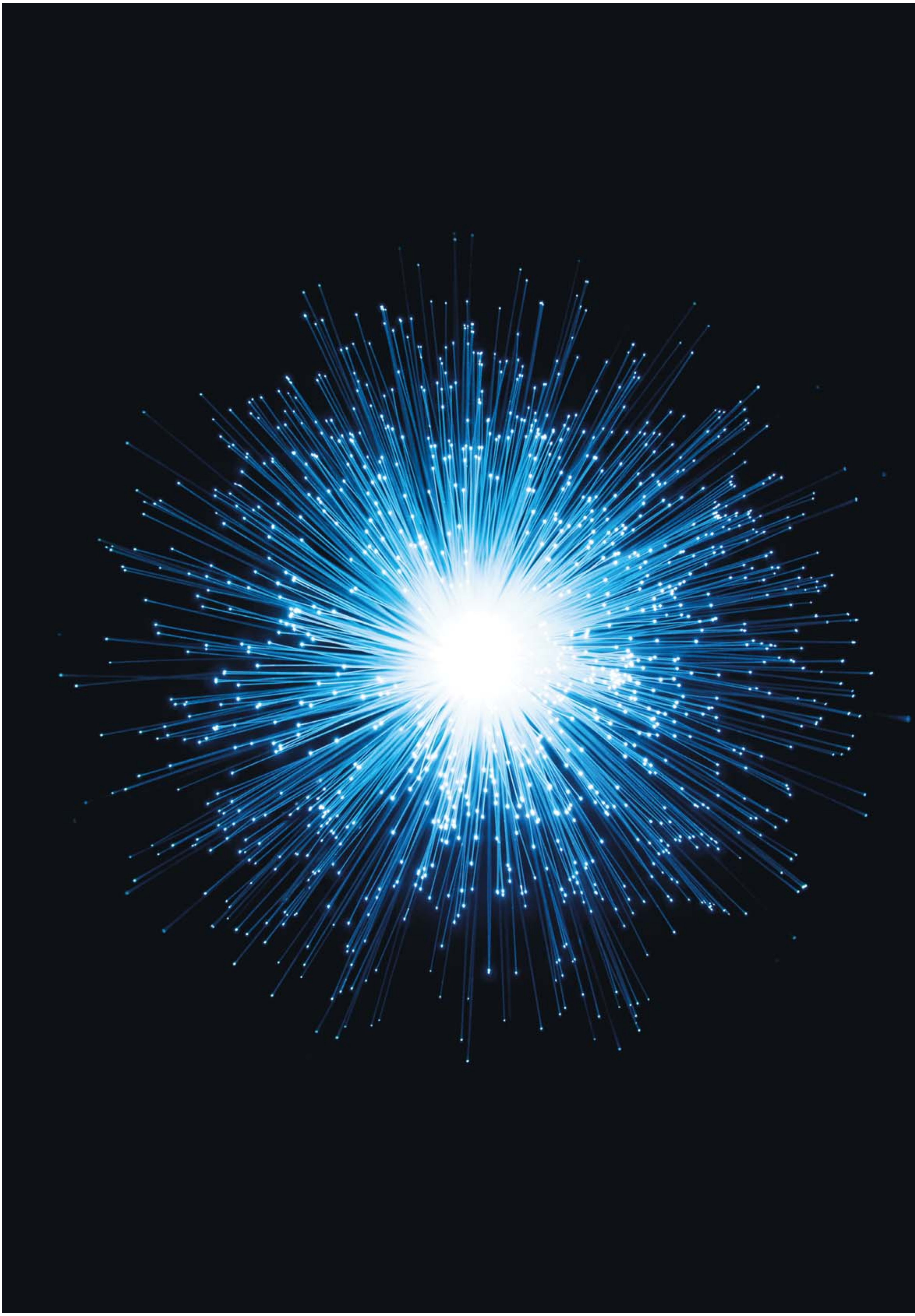

# Technology is here to help, not hurt financial advisers

*Interview with **Eugene Maree**, Chief Executive Officer (CEO) of Wealthport.*

**Eugene Maree—Wealthport CEO**

Eugene is the founder and CEO of Wealthport, a FinTech company with financial services licenses. It has developed a pioneering transaction-based technological solution aimed at modernizing and future-proofing independent financial advice practices in the new era of financial services.

**Deloitte:** Tell us about your business
**Eugene Maree:** In essence, Wealthport is an adviser-led investment management portal. We don't like to be seen as a LISP (Linked Investment Service Provider) platform, as they are primarily only unit trust platforms. We see ourselves as a technology partner for investment managers. We are a FinTech business that has planning, reporting, and execution capabilities, across all investment products, through one investment portal.

**Deloitte: Who do you see as your main competitors?**
**Eugene Maree:** It's quite interesting when you ask about our competitors. We don't really see the other platforms as competitors because, as I previously mentioned, they are only unit trust marketplaces, facilitating the unit trust industry. This is because they're owned by unit trust or life companies. We see ourselves as an investment portal that allows you to gain access to anything you want. Besides that, we see ourselves as more of a FinTech player that provides the tools to facilitate planning, execution, and reporting in a single environment.

Nowadays there are lots of good planning tools, but the problem with them is that you can plan, but when you want to execute, there is no way to execute. That has been one of the failings of a number of FinTech models. You can plan, but in order to execute in a regulated environment you need to comply with a whole lot of licensing requirements. We have the Category 3 license that allows us to bulk-trade in the market, with all investment providers, allowing our clients to access wholesale pricing.

This, coupled with our comprehensive planning and work-flow tools, means you can come in, plan, and execute, buying whatever you need. Think of us as the Amazon of investment products in South Africa. You come into one portal, you go to the cart, you say what you want, we give you exposure to the whole investment market, then you buy all the things you want, add them to your cart, and off you go to check out. Being independent and product agnostic (we don't make products), our only focus is on giving the client the best pricing, and the ultimate user experience. In this sense we are unique, and we don't really have any competitors in South Africa.

**Deloitte: How does Wealthport differentiate itself from other platform providers?**

**Eugene Maree:** When we started Wealthport, we were able to use newer technology compared to what was available back when most of the current platforms were built. This gave us the ability to automate, streamline, and incorporate any product on the market. Our system isn't as people-heavy as others and has never had any administration errors, as our workflow takes care of processes more reliably than humans, with humans just having to verify processes.

We don't like to be referred to as a LISP, as that is the old fund supermarket model and is only a part of what we do. We will be adding other products to this portal that traditional LISPs will never be able to offer, or that their owners would prevent them from offering, as it would involve cannibalizing their existing business. Administration fees are going to go down, and margins are going to get narrower, and the better the technology, the better your chances of being sustainable. Besides offering anything advisers or their clients want in South Africa, including ETFs, structured products, and more, we also offer access to 2.5 million instruments offshore, through our partnership with Swissquote Bank in Geneva. So you have the broadest investment offering in South Africa in one place at the lowest overall cost on the market.

There are so many investment options available today. If you look at the South African unit trust market, compared to the South African share market, there are currently around 500 shares on the market, of which probably around 110 are actually liquid, and yet there are over 1,500 unit trusts. When it came to creating our platform, we knew that we needed to consider being able to cater for ETFs, unit trusts, and other investment vehicles such as structured products. We also realized we needed to make it easy for advisers to sift through these options for their clients and trade these instruments.

Our platform has an entirely integrated back-office management system in the back-end and it also has document storage so you can manage all your documents, and it has transactional processing capabilities that keep the whole workflow on file for compliance, as well as tracking and recording clients' investments. All of this takes place in one environment, plus you can service a client remotely through screen-sharing technology.

We are trying to move away from the LISP stereotype, because LISPs haven't changed in ten years. They haven't evolved. In just two years, our business has evolved immensely, and if we look at what's coming in the next year or so, it's going to evolve even more. I'm not sure whether traditional LISPs will follow what we're doing—that will depend on their corporate strategy, and whether they choose to move from a business that serves shareholders to one that serves clients.

**Deloitte: What is your view on the current investment management landscape, and what do you see happening in the future?**
**Eugene Maree:** Wealthport was born out of my concerns about what I saw happening in the industry. We have some big, industry-dominant players that have established a huge amount of trust with clients, and who have had money to spend on advertising, giving them the spotlight. However, they are becoming bigger and clumsier and, in terms of pricing, I don't think that clients are always getting the best deal. I don't think it's always transparent, so it's very seldom that you see a client get to ask them, 'What is it that I'm paying for? What is your exact fee?'"

Very often it's vague and it hasn't been shown. I think this kind of vagueness and the general greyness in the financial industry, as well as the personal financial planning space, have served the industry well. The industry is driven largely by the big brands, and a lot of people have a lot of faith in them. They've had it easy, but I think they're going to have to start digging deeper, particularly when they start looking into indexation, structured products, and that sort of thing. In many cases banks are building better and more transparent products than those that asset managers and life companies are building. I believe the investment banks are going to start playing a bigger role, and we saw the need to cater for them, as the traditional platforms don't have the capability or will to do it.

I think a digital format will level the playing field a lot more. People can actually go and look up the facts rather than just believing the hype. I think there is going to be a change and that we'll see some newer players, that are innovative, and that are doing better things. Players that are prepared to come in and offer real value will find their niche. But if you fail you will also be exposed, which is really nice, and I think that is something that the industry has to watch out for, because this is a matter of 'when' rather than 'if'. We're starting to see that now, especially with younger clients who are so much more informed.

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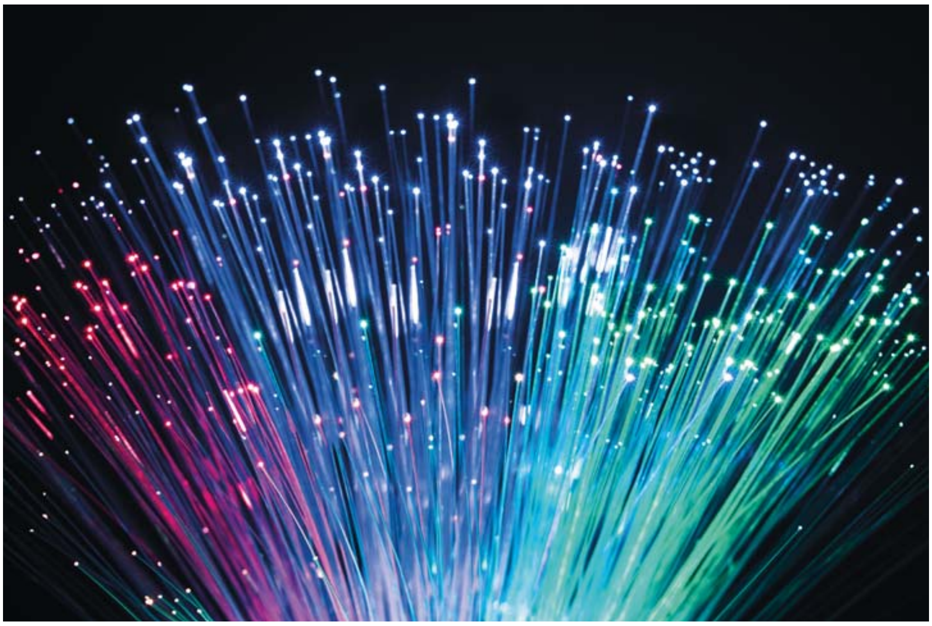

**Deloitte: What do you believe will be the next wave of innovation to affect the IM environment?**
**Eugene Maree:** I think that the next two years are going to be the big, telling years. I think you're going to see a boost in what's happening in the technology space, and I think you'll see that some advisers will miss this opportunity, whereas others will use it to leapfrog their businesses, because we all know for a fact that clients are going to demand more for less, and that we're going to have to serve more clients for less. The only way you're going to do that is with technology.

There are only so many working hours in the day. Technology can help you with the administration of your client base; help you to manage your clients' investments and other products; help you to understand where to apply your time and effort; and to understand what is profitable.

If you want to run your business more efficiently, you're going to need technology, there is no doubt about it. The way that we've built this technology, incorporating well-designed data architecture, as well as transactional tools, will allow you to mine and manage your database of clients to give them the ultimate solutions to meet their needs.

We're starting to see the first phase now where you get those who are going to embrace technology, and those who are going to come after the fact. People have seen this on the horizon, people are talking about technology, but not everyone is taking it seriously. Many people think not much is happening, but a lot has been developing without them knowing, and it's constantly building.

I think in terms of some of the other trends that will come out in the next few years, you're going to see algorithmic trading where people can build models, and where they can optimize portfolio risk by taking historical measures into consideration. I think you're going to see a lot of it happening around the creation of investments. I also think a lot is going to happen around administration.

**Deloitte: How is the industry responding to increased technology?**
**Eugene Maree:** The wonderful thing about technology is that it's creating a much more transparent industry. There are a lot more competitors like us, that are newer and growing, that have no product allegiances, and that want to create a better deal for the client. I think that will be a catalyst for change. We've already seen, since we entered the industry, how platform fees have come down. Providers used to charge massive platform fees, and we've started to put pressure on them. We're one of the new players and everyone is starting to react and having to drop their platform fees and I think this is not the end of it. So I do think that is going to be a good thing for the industry, and that greater transparency will come as a result.

I think our biggest challenge is going to be getting those who manage the investment landscape to embrace technology, and not see it as a threat, but rather as an enhancement.

People are afraid of change. You know people say that computers will take over from humans. Funnily enough, there are some jobs you don't need to worry too much about if you do them properly. I think our biggest challenge is going to be getting those who manage the investment landscape to embrace technology, and not see it as a threat, but rather as an enhancement. The people who get that right, who decide that it's a combination of technology and touch, they are going to win this race. Those who resist it are going to fall by the wayside. I think that anyone who believes this will never happen just hasn't really taken a good look at what's happening in the world around them.

**Deloitte: What impact is robo-advice having on the industry?**
**Eugene Maree:** The challenge of adopting any of new system is embracing change. We're operating in a heavily intermediated market, where the broker or adviser is dealing with the end client and in most cases there is a huge amount of resistance to new technology. You can understand why, because the industry has pitted technology against the adviser. What they've actually done is said to the adviser, 'It's a choice between robo-advice and you'. In actual fact there is little reason to fear robo-advice because it can only provide a very small part of the solution.

Robo-advice could become better at picking funds, it could be a facilitation tool, and it could act as some sort of planning tool, but it doesn't understand the human issues around legacy planning, estate planning, or understanding what the client's needs are, or the risks to which the client is exposed. That's where the real advisers step up. A real adviser will never be threatened by robo-advice because it will be very difficult for robo to deal with the human interaction aspect of a client's needs and journey, because money means different things to different people. However, if you are a product salesman and all you do is select products for your client, a robo advice tool will do a better job as there would be less emotion involved.

So I think what you'll find is that robo-advice will become a blended environment where you will have high-quality advisers who may have a robo-advice component to their business for clients who want self-service, but that the high-end clients who need more sophisticated trust estate planning, offshore planning, or offshore structuring will stay in the same environment.

One of the reasons that robo-advice has faced a challenge with adoption is because client acquisition cost is very high, and you have to work hard to win a client's trust. The robo-advice space has attracted a lot of smaller, new investors, so you've got a lot of investors with very low-volume businesses. Lots of clients with low values are very costly to administer: it means you carry the client and have to pay relatively high costs to make it work.

Then as the client grows, unless you provide some other value-added advice, like estate planning or offshore investment access, the moment the client gets to a certain size, the client will probably look for an adviser offering a fuller, more holistic plan. So I think the real opportunity is bringing robo and technology into the independent intermediated advice landscape, where you've got technology and touch combining, and I think that is going to be the driving force.

**Deloitte: What opportunities should advisers be chasing going forward?**
**Eugene Maree:** If I were an adviser today, I'd embrace technology and focus on improving the human interaction side of the business. The people element will differentiate the true wealth manager. The days of the product salesman are over. The future is about independent advice, not salesman selling products for their companies. Advisers should constantly focus on improving their skills in terms of estate planning, in terms of structuring offshore investments, and staying in touch with the regulatory environment. The good news for clients is that the industry and regulators are increasingly concerned about their needs, and ethical, independent advisers will thrive in this new era while the others will battle to stay in business.