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# Taurus Wealth Advisors' Nalwa on the Vital Importance of Being Aligned with HNW Clients

Mandeep Nalwa is CEO and Founder of Taurus Wealth Advisors Pte Ltd., a Singapore based independent wealth management firm that first opened its doors in April 2008. Taurus provides wealth management services and investment advisory to HNWIs in relation to their investments with various private banks. The firm today is a multi-family office with a team of 35 people out of Singapore and Dubai and advising on around USD1.9 billion in assets. Typical clients have little time to devote to managing their own investment portfolios, and Taurus has built its business on a determined positioning of avoiding conflicts of interest, charging fixed fees to advise clients. Hubbis 'met' with Nalwa recently to discuss his vision of the evolution of wealth management and the role and future of Taurus within the industry. Alignment, he reports, and the promotion of best-in-breed advice and solutions are critical to his vision of wealth management conducted with sincerity, objectivity and integrity.

**Nalwa begins by** explaining that he has built a career since graduating and then obtaining his MBA in providing investment advice to HNWIs across Asia Pacific. "After successful roles with HSBC, Merrill Lynch and Citi in the world of private clients in this region," he reports, "I felt it was time to establish Taurus Wealth Advisors in 2008 in a bid to provide investment advice while removing the conflict of interest that existed, and still exists today, in the delivery mechanism of wealth advice as it had been structured in the region."

At Taurus, he reports, the firm charges clients a one-time fee, and by extension the firm is effectively on their payroll, rather than on the payroll of a financial institution or product providers. In addition to investment advice, Taurus provides transaction support in insurance, real estate, trust services and private direct investments.

It is the concepts of independence and objectivity and putting them into practice daily that Nalwa feels especially passionate about. "In difficult conditions, we and some of our peers and family offices have shone. This has been exemplified recently by our partnership with a Swiss Family Office. The aim is to cross pollinate best of breed ideas and processes between the two practises. We are grateful that we have got a like-minded partner as we move towards the next stage of the journey of building a global investment advisory firm in the years ahead."

## Bringing impartiality to the table

Nalwa elaborates on Taurus and its offerings and culture. "As a fee-based multi-family office, we are advising clients primarily on their public market securities which are custodised with private banks. We bring to bear objectivity and we hope good advice on asset classes like equities, fixed income, currencies, and so forth. We also cover the spheres of real estate, private equity and other non-public opportunities. At all times, we service our clients by charging them a fee and trying to ensure that we are fully aligned with their interests."

Some 12 years after he founded Taurus, Nalwa reports he has yet to see any noticeable change in the approach to wealth management by the larger institutions. "In fact," he says, "as more and more participants have come into the markets, especially if they are larger teams that move, costs have gone up, and conflicts have tended to increase rather than reduce, and I would say the last three months have exemplified the impact of conflict of interest between practitioners and clients."

## The song remains the same

He explains that anecdotal comments from people he knows in the market, clients of large institutions, the number of margin calls had ballooned in March and April. "It is difficult to call the markets, I admit," he says, "but there were enough indications to call for reduced risk in the portfolios.  There was too much product selling and still is. Instead of being open architecture, we find banks at times removing some products, effectively saying 'no, we want the solutions to be in-house', which indicates clearly that it's not always about client centricity and best-of-breed."

### Nalwa's Key Priorities

His first objective is to help guide clients into a better composition of funds. "We feel that clients need to give discretion to the professional fund managers and our job is to find the best of those," he reports. "It has been a work in process at Taurus, and remains a major priority, as we firmly believe that best-in-breed active management is the right approach."

The second priority focuses on technology enhancements. "We are working on improving our digital interface with clients and expect to have that fully upgraded during this year," he elucidates.

And the third mission is to boost talent at the firm. "Business is growing," he reports, "even through this crisis, so this is a good time for us to bring in more financial advisors."

Nalwa closes the discussion with an expression of hope that business and life can soon return to normal across the globe. "But if we have to wait longer than expected," he says, "we are optimistic we can weather the storms and still deliver our clients the quality of advice and solutions, as well as integrity that have been the cornerstones of our business since we began."

**MANDEEP NALWA**
Taurus Wealth Advisors

Nalwa also believes that the predilection to product selling is not going to abate. "It will only end when transparency in the business rises to a point where, along with monthly client statements, we start highlighting exactly how much we have earned from the client across every part of the institution from debt, public market securities, to private market securities, and so on. If that level of transparency comes through the clients will be best served and conflict of interest will reduce substantially."

## Baked-in risk

He recalls a statement he was shown by a third party at the peak of the crisis. The family's AUM was down to single digit millions and leverage was more than 10x. "That speaks for itself," he says. "There was far, far too much risk baked into the portfolio."

Nalwa maintains that the other vital standard the industry should be articulating is the understanding of risk-adjusted return. "When clients make a 12% plus return on a highly leveraged portfolio, they feel that they have done really well, but on a risk adjusted basis they may not have done well."

## Alignment of interests

A major part of the solution, he argues, is the fee. "If there is a fixed fee, the risk of product pushing and portfolio churning reduces significantly," he comments. "When the client is fully aware of how much he is going to pay for the whole year, he can calibrate his trading and his transactions accordingly," Nalwa reports, "and there is naturally more alignment with the advisor. If we go to a doctor and they prescribe medicines based on commissions from the drug firms, then that would be a non-starter. So too in our industry, but that is what still happens. Accordingly, at Taurus almost 87% of the fees that we make come directly from our clients. The rest comprises asset management fees and so on."

### Getting Personal with Mandeep Nalwa

Mandeep Nalwa was born in Karnal, North India and is a graduate of the Sriram College of Commerce, Delhi University, and also obtained an MBA from the Indian Institute of Management, Ahmedabad. He comes from a family with a more than a two-century long military history, and his father rose to become a Lieutenant General in the Indian Army. "Had my eyes been better," he reports, "I might have also joined the military, but things have turned out fine for me and the family anyway."

Nalwa and his family are all citizens of Singapore now, having made their home, family and their professional life there. Nalwa and his wife have been married for 22 years, and have two sons, aged 19 and 17. "Our elder boy is doing National Service in Singapore, highly recommended for all boys who are growing up in Singapore I must say, while my younger one is finishing grade 11," he notes.

Before founding Taurus in April 2008, he was a director at Citibank Private Bank for nearly three years, and before that enjoyed a career in private wealth management spanning Deutsche (where he also met his wife), HSBC and Merrill Lynch, working in India, the Philippines and Singapore.

Watching India play cricket, playing golf when he has time, travelling with the family and fun times with close friends are all passions that he pursues in leisure time.

"Work is pretty intense," he reports, "so we really enjoy the moments that we get with family and friends. And quieter moments might be spent watching Bollywood and Hollywood movies, my two favourites being Sholay and The Godfather Part I."

Nalwa reports that on February 4, his firm advised clients to reduce risk on equities, and to buy US treasuries, gold, and e-commerce stocks, as the virus was clearly about to get a grip worldwide. "It is fairly simple," he says. "When you are seeing a storm approaching, go for shelter, or run for cover, don't stand there and take the full brunt of it. Sure we could have done better, but we did well."

preservation first and foremost, and with return objectives of around 4% to 6% above LIBOR, we believe that was and is achievable without leverage."

He concedes that leverage on top might produce higher returns, but not without significantly higher risk. "We charge a fee," he reiterates, "and we are incentivised by preserving client wealth and

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He explains that despite advising on assets of some USD2 billion, not a single client had exposure to the famous LIBOR-linked notes. "We had been in there, but we got clients out at a small profit soon as we realised in 2019 that this didn't seem like a right call, whereas at its worst write-downs of  70%, 80% or even more were suffered on these esoteric structures."

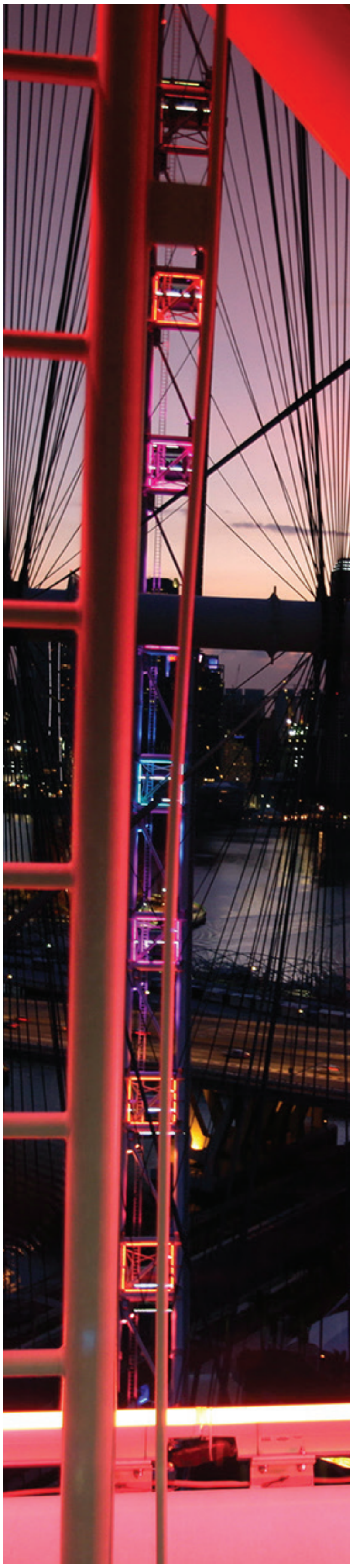
## Shunning leverage

He also addresses concerns over leverage. Looking at our clients as a whole, On February 20ths when the markets peaked, we had an overall 15% leverage in the books, with just 21% of clients with any leverage in their portfolio. By the end of that month, less than 3% of our clients had any meaningful leverage at all. As a principle, we are and have been opposed to leverage, as we feel that we are in the business of capital

achieving realistic returns. We know that in times of a market crisis, as unforeseen as this rout was, our client portfolios will be impacted negatively, but not as negatively as those that were leveraged, we believe."

## At the margins...

He argues that there is a case to examine what percentage of clients received margin calls at advisory firms versus the percentage of clients who received margin calls at the financial institutions. "Of course, some clients would have pushed for leverage, not the banks," he comments, "but those that we work with hear our clear advice to avoid leverage, to mitigate risk and to moderate return expectations. I am quite sure our peers would have provided their clients with a similar positive experience. This is the hallmark of unbiased advice."



## Fair dinkum

He adds that Taurus generally does not charge clients on the leveraged portion of their asset portfolios. "That is a very big differentiator for us," he reports. "If a client has a USD10 million portfolio, and they borrow another USD10 million, that's USD20 million of assets, but we would only charge them on the unleveraged portion. That is fair, and in turn, we believe it translates into better-managed portfolios."

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He also comments on the opportunity cost of getting it wrong. "Simply," he says, "the worst-hit investors were not able to join in the rally in April 2020 because they were exposed to significant losses, causing a reluctance or inability to put more capital at risk. Yes, the rally helped recover some losses, but they would not have been able to generate a positive return for the year, which that would have been commensurate with good advice if one had escaped the carnage and taken some exposure when the markets were weak."

## Skin in the game

He is quick to add that Taurus did launch several products that allowed clients to participate modestly in the rally while holding sufficient capital in cash and avoiding dangerous exposures. "We launched a couple of bullish equity certificates and funds right in the first week of April," he recalls, "helping clients to participate in the rally without over-exposure."

The net result for Taurus, Nalwa reports, is that despite the lockdown, revenues will be stronger this year, as well as new client generation. "This is the time when the quality of advice versus quantity of products is in sharper focus, and that is what we are seeing in our business."

## Building through the corona-mists

New clients, he reports, are opting for the more conservative experience Taurus offers. "It is their experience that bring them to us," Nalwa explains. "We had been in contact with them, and perhaps the volatility and uncertainties ahead hastened their decisions."

At this time, he explains that such new clients appreciate that paying a fee of 50 basis points to 1% represents value for the objective, transparent advice Taurus sets out to offer. On average the new clients we are seeing add up to a picture of the overall performance from the larger institutions," he remarks. "We are not perfect, we get things wrong, but we get things right considerably more often than wrong, and we work in partnership with our clients, we advise them, they accept or may at times reject the advice, but it is a collaborative effort."

## Many rivers to cross

Nalwa concedes that all in the garden is not rosy. "The economics right now are not easy for the advisory firms because the quality of advice needs to be competitive while larger institutions have far greater resources and scale," he comments. "We do have conversations with prospective clients where the offer of fees is significantly lower than what we can take on and still provide the right level of service and advice that is required. In such instances we step back."

The independent advisory industry, he remarks, has not yet achieved the critical mass to create a footprint, like in Switzerland for example, that proves to clients that there is real value in working on a fee-based proposition. "But this can only really change if there are numerous smaller advisory firms that in sum represent a major segment of the wealth market. However, honestly, we are nowhere near Europe or the US in that regard, and it's not going to happen very soon in my view." ■