"The challenge for wealth managers in a low rate environment is to design balanced portfolios not taking unnecessary risks and still getting returns"

Víctor Matarranz
Head of Santander Wealth Management & Insurance

In a financial environment conditioned by current geopolitical tensions (US elections, Brexit, US-China trade deal, Coronavirus, etc.) and considering the level of interest rates at all-time lows, the premises for traditional portfolio management are largely distorted, making wealth management more complex than ever.

The macroeconomic context is pointing to somewhat slower growth, but fundamentals are still solid with low probabilities of recession at sight. We see moderate growth and believe that we are in a neutral to positive context for investment that, in any case, requires prudence.

In the current scenario of low-interest rates (or at least decreasing in some countries), fixed income returns are in many cases below inflation, mainly for short durations. There is also sometimes an opportunity cost in holding liquidity. **So explaining to more conservative minded customers that liquidity and even fixed income can have a cost relative to inflation and that therefore it could make sense to consider other categories of assets is, at the very least, an interesting conversation.**

The key element in that exercise is that customers do not take more risk than needed. Clients need more than ever **professional management** to set up their investments at **the right point of risk** since the world, as we understood it, has changed quite a lot.

As an example arising from this context, there is an increasing demand for **alternative investments**, including Real Estate. Customers ask for assets that can deliver some yield, and we are enhancing our product offer to be able to cater these, but we definitely don't want another bubble, so we are doing it with caution.

Interestingly, other trends create some comfort for investors with topics they feel closer to their minds and are building some demand. **ESG** and other thematic funds are a clear example of it. Although they do not tackle the previous problem directly, some customers feel more aligned with some of these trends and a significant demand is building up. We are spending a lot of time and resources to build up our ESG capabilities to respond to it, not only for this reason but because it is at the core of our vision of becoming the best **responsible** wealth manager.

Finally, but not new, **digital** is helping a lot to have these conversations. Clients expect us to provide them not just with advice and expertise, but also with **tools to manage their assets and portfolios in real time**, so this kind of tools and technologies are now a "must", both for bankers and customers themselves.