Asian asset management’s inflection point
Taking part in the market’s critical growth phase
Asia’s asset management industry has momentum.¹ It is growing at a rapid rate, far faster than the rest of the globe’s. Liberalisation, deepening capital markets and ageing populations all give reason to believe this will continue, making Asia a significant part of the global industry by 2025.

Yet benefiting from this expansion may be challenging. While growing wealth, low deposit account rates and inadequate pension funds mean there is a burgeoning demand for asset management, only a small proportion of Asian investors are comfortable buying asset management products. In China, professionally managed assets such as pensions and life assurance recently made up only 10% of household assets.²

Education is key, as is providing the type of investment products that investors want. These are typically income or absolute return investments, with relatively low risk. The winning asset managers are likely to have developed nimble product strategies with the option of local currency share classes. Furthermore, they are likely to have local presence, local partners and an entrepreneurial approach to digital distribution.

In 10 years’ time, it is very likely that Asia’s asset management industry will be far bigger and more mature. Between now and then, asset managers have a golden opportunity to carve out strong market positions and establish their brands.

This report was developed from interviews with asset management industry luminaries and Standard Chartered subject matter experts. It seeks to anticipate how Asia will take its place as one of the world’s major asset management centres. We look into the trends that are driving Asia’s growth and explore how asset management firms can position themselves to become major players in this market of the future.

Jeremy Amias
Managing Director
Global Head, Financial Institutions
Standard Chartered Bank

¹ Asia ex Japan and Australia.
² Sources: CEIC, Bloomberg, Global Demographics, OECD, Eurostat, IMF, central banks and finance ministries, Standard Chartered Research.
On a path of rapid growth
Liberalisation, deepening capital markets and ageing populations are propelling rapid Asian asset management growth. While Asia (ex Japan and Australia) only accounts for about 5% of global investment fund assets, it’s expanding far faster than the rest of the world.³ By 2020, Standard Chartered forecasts China’s asset management industry alone – including mutual funds, pensions and wealth management products (WMP) – will expand by about four times to CNY 104tn (EUR 14.2tn), up from CNY 27.6tn (EUR 3.77tn) at end 2015.⁴ With other countries also growing fast, the Asian asset management industry will be a significant global force by 2025.

Ageing populations set the stage
Populations are ageing fast in India, Singapore, Hong Kong, South Korea, Thailand and China.⁵ Pension provision varies from country to country, and governments are addressing the situation urgently. This will lead to the establishment of new pension schemes.

Passports prepare for wider distribution
The Mutual Recognition of Funds between Hong Kong and China, and two fund passport initiatives – ASEAN Collective Investment Schemes and the Asia Region Funds Passport – are set to improve market access and capital flows, although progress will be slow. In time, this will mean that funds can be distributed more widely providing Asian households access to more financial products.

Capital markets flourish
Governments are developing capital markets, significantly increasing the range of investment possibilities. Notably, China’s local bond market, which opened to international investors in 2016, is likely to more than double in size by 2020, according to Standard Chartered forecasts. Asian infrastructure debt also has the potential to grow significantly over the next 10-15 years. For this to occur, the support of multilateral institutions is urgently required.

Education is essential
Asia’s wealthy are now the richest in the world, yet mutual fund penetration is tiny. While markets such as Hong Kong and Singapore have high mutual fund penetration, in less developed countries such as China, India and Indonesia it is far lower. General consensus suggests that education is essential for fulfilling the market’s growth potential. If asset managers and distributors seize this opportunity they will be rewarded by a growing market.

Local strategies, digital distribution key
Asia’s countries have different regulations, taxes, cultures and languages. Passports will help to overcome these differences but regulators and policy makers have yet to agree the next steps. As such, nothing can beat a local presence as it is essential for accessing China, Indonesia and India, as well as for understanding local investor requirements. These are all potentially huge markets with under-developed investment fund industries. China’s online money market fund phenomenon shows the great potential for internet platforms, robo advisers and mobile.

³ Source: International Investment Funds Association data, Q4 2015.
⁴ China’s Bond Markets – The Start of a Golden Age, Standard Chartered, February 2016. This number includes mutual funds, pensions and wealth management pools
⁵ Australia and Japan also have ageing populations but are outside the scope of this paper.
Gathering industry momentum: three drivers of growth

This is a time of great promise for Asia’s asset management industry. It is comparable to the 1980s in Europe, when the UCITS directive helped to start 30 years of growth, creating the second largest investment fund industry, with a third of global assets.

Momentum is on the industry’s side. In the past five years or so, Asia’s (ex Japan and Australia) growth has been second only to Latin America’s. But investment fund assets remain a small proportion of the global total (about 5% at end 2015, at EUR 1.8tn (US$ 2.1tn) versus EUR 36.9tn (US$ 42.2tn) worldwide6). With investment assets closely tied to GDP growth – as studies show – Asia’s assets are likely to outpace any other region’s. Asia’s leading economies are growing twice as fast as advanced economies7. Ten years of growth at this rate would rebalance the globe’s asset management map.

A small proportion of global assets under management

Top 10 Domiciles of Worldwide Investment Fund Assets (Market share at end Q4 2015)

<table>
<thead>
<tr>
<th>Domicile</th>
<th>Market Share</th>
</tr>
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<tbody>
<tr>
<td>USA</td>
<td>48.4%</td>
</tr>
<tr>
<td>Europe</td>
<td>33.2%</td>
</tr>
<tr>
<td>Australia</td>
<td>3.8%</td>
</tr>
<tr>
<td>Japan</td>
<td>3.3%</td>
</tr>
<tr>
<td>China</td>
<td>3.1%</td>
</tr>
<tr>
<td>Canada</td>
<td>2.9%</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.8%</td>
</tr>
<tr>
<td>Rep. of Korea</td>
<td>0.9%</td>
</tr>
<tr>
<td>India</td>
<td>0.7%</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.4%</td>
</tr>
<tr>
<td>Others</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Source: International Investment Funds Association

But growing fast (total net assets)

<table>
<thead>
<tr>
<th>Region</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>13.9</td>
<td>18.6</td>
</tr>
<tr>
<td>Europe</td>
<td>9.7</td>
<td>18.2</td>
</tr>
<tr>
<td>Asia and Pacific</td>
<td>10.6</td>
<td>11.3</td>
</tr>
<tr>
<td>Africa</td>
<td>1.6</td>
<td>11.7</td>
</tr>
</tbody>
</table>

Source: Efama International Statistical Release

“Asia offers incredible opportunity,” asserts Guy Strapp, Chief Executive, Eastspring Investments. “The population of ASEAN alone is greater than Europe’s, while the economies of India, China, Indonesia, Vietnam and the Philippines are all experiencing GDP growth at above 5%. It is a healthy and exciting time to be in the industry.”

7 The IMF World Economic Outlook, January 2016, forecasts 2017 GDP growth of 2.1% for advanced economies, versus 6.0% for China, 7.5% for India and 5.1% for ASEAN.
1. Liberalisation/passports
Financial market liberalisation is a game changer. China, again, is claiming the most interest as it internationalises the renminbi, opens its domestic bond market to foreign investors, liberalises interest rates and launches its Shenzhen-Hong Kong Stock Connect scheme. But other countries are also liberalising economies and markets. For example, countries such as Indonesia are relaxing rules on foreign investment.

The Mutual Recognition of Funds between Hong Kong and China, established in 2015, is a form of liberalisation that, in time, has the potential to turn Hong Kong into a large asset management centre for mutual funds sold into China. Similarly, the two Asian fund passports – ASEAN Collective Investment Schemes and the Asia Region Funds Passport – offer great promise. But like Europe’s UCITS scheme that they are modelled on, they are likely to take time to make a difference.

2. ‘Financial deepening’
Developing capital markets are a common policy goal. For example, Malaysia’s central bank focused on building a strong and stable domestic financial system after the 1997 financial crisis revealed weaknesses. Its bond market has doubled over the past 10 years and there is significant foreign participation.

The fastest-growing capital market is China’s. The country’s onshore bond market is the world’s third-largest, and its credit market has become the second-largest. Standard Chartered expects this market to more than double to CNY 100-105tn (US$ 15-16tn) by the end of 2020 (up from CNY 48tn at the end of 2015). Its capitalisation will rise from about 62% to 100% of GDP.

3. Pensions time bomb
Many of Asia’s pension systems are ill-prepared for the rapid ageing that is happening. The demographic transition to fewer babies and longer lives that took 100 years in Europe and the US is happening in a generation in Asia. Pension provision is patchy, varying from country to country, and governments are addressing the situation urgently. Asset managers can help solve this time bomb.

Singapore, Hong Kong, South Korea, Thailand and China are seeing their populations ageing fastest. China’s working age population is beginning to decline, for example. Singapore’s is set to do so from the mid-2020s, Hong Kong is likely to do so even sooner, and Korea is not far behind. In many ASEAN countries, populations are younger with a need for financial products. For example, Indonesia and the Philippines will add a combined 35m people to their working age populations by 2025, according to the UN.

Asia’s demographic slowdown: Annual working-age population growth

Source: UN, Standard Chartered Research
China is the greatest prize

China’s growth in 2015 alone was impressive; mutual fund assets expanded 84% to CNY 8.4trn (US$ 1.3tn) at the year-end. By 2020, Standard Chartered forecasts the asset management industry – including mutual funds, pensions and wealth management pools (WMPs) – will have expanded by about four times to CNY 104trn (US$ 16.1tn), up from CNY 27.6trn (US$ 4.3tn) at the end of 2015.8

China’s mutual fund industry will sustain its rapid growth as its capital markets develop further. Pension funds’ total assets are likely to increase materially in the coming years, as China’s population ages and the pension system expands its coverage. Finally, on completion of interest rate liberalisation we expect to see further migration from term deposits into WMPs.

Commercial banks’ WMP offerings – pooled savings products that offer a higher yield than deposits – have grown exponentially in recent years. Outstanding WMPs rose at a compound annual growth rate of 55% from 2009-14, reaching CNY 15tn (US$ 2.3tn) as of end-2014. While official end-2015 numbers have yet to be released, WMPs likely reached CNY 22-23tn (US$ 3.4-3.6tn), according to local media reports.

We expect WMPs to maintain strong momentum in the next five years as they take market share from deposits and as China’s domestic capital markets develop further. We foresee continuing migration from traditional term deposits into WMPs upon the completion of China’s interest rate liberalisation and further capital-market development. By 2020, Standard Chartered forecasts outstanding WMPs will reach about CNY 57tn (US$ 8.8tn) – more than half of China’s asset management industry.

China asset management expands fast

<table>
<thead>
<tr>
<th></th>
<th>AUM (CNY tn) Q3-2015</th>
<th>AUM (CNY tn) 2020E</th>
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</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td>6.7</td>
<td>25</td>
</tr>
<tr>
<td>Pensions</td>
<td>5.9</td>
<td>23</td>
</tr>
<tr>
<td>- Public pension funds (PPFs)</td>
<td>3.6</td>
<td>14</td>
</tr>
<tr>
<td>- National Social Security Fund (NSSF)</td>
<td>1.5</td>
<td>5</td>
</tr>
<tr>
<td>- Enterprise Annuities (EA)</td>
<td>0.8</td>
<td>4</td>
</tr>
<tr>
<td>WMP</td>
<td>15.0</td>
<td>57</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27.6</strong></td>
<td><strong>104</strong></td>
</tr>
</tbody>
</table>

Source: Wind, Standard Chartered Research

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Expansion’s erratic path
Powerful forces are driving the expansion in Asian assets. Yet mutual fund products have yet to be widely accepted by investors as savings vehicles beyond the high net worth clients of wealth managers. Furthermore, the region’s sharp financial corrections and regulatory surprises are likely to mean that the path of future growth is far from smooth.

Asia’s equity markets: Peaks and troughs
(MSCI Asia Ex Japan Index gross return, US dollars)

Having seen so many crises and steps forward followed by steps backward over the last 20 years, on any one day it has seemed that nothing has been achieved. But then I guess we look back and have seen a big step forward.

Hugh Young
Managing Director
Aberdeen Asset Management Asia
Changing investment culture: 
education is the key

It’s a wonder that Asia’s asset management industry has not grown faster, given the explosion in wealth. The region’s high net worth and ultra-high net worth individuals have now surpassed North America’s to become the richest group in the world, with a projected US$57tn.\(^9\) Their wealth is growing more quickly, too, at 29\% in 2014, compared with nearly 12\% globally.

Asset management is tiny by comparison. Yet, as individuals learn about investment products, and are given greater choice, so this is changing. In the 1980s and 1990s, first-generation wealth creators invested narrowly, focusing on their businesses and real estate. Now, their college-educated children and grandchildren are turning to professionally-managed investments.

Education will help to determine how quickly investors in a market like China’s graduate from saving in deposit accounts to investing in higher risk and longer-term investment funds. “At this stage investors do not feel comfortable investing on line in more complicated investments,” says Eastspring’s Strapp. “Investment education is the key. People are not going to allocate a large proportion of assets in what they perceive to be a higher risk investment, for a longer period of time, if they don’t understand the asset and the associated risks.”

Asset managers and financial advisers can play a part in this. Robo advice is likely to be a game changer, which could change the picture quickly. Young consumers trust information received over the internet. Having low-cost, customised asset allocation advice available at the touch of a button could help to educate them.

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Guy Strapp
Chief Executive
Eastspring Investments

There is already an explosion in online fund sales, highlighting the power of digital distribution channels. More than half of funds in China are now sold online, according to estimates, up from just 5% in 2012. But these are almost entirely money market funds such as the popular Yu’e Bao fund, which are sold through platforms such as Alibaba and WeChat. Investors treat them as cash accounts and only invest for short periods of time.

The growing popularity of China’s WMPs, which are longer term investments, suggests that savers can graduate to buying longer term investments online.

**Varying market penetration**

The proportion of household financial assets dedicated to professionally-managed products varies hugely across the region. In Hong Kong and Singapore, both sophisticated financial centres, investors allocate as high a proportion of their financial assets to professionally-managed products as their western peers. By contrast, China, India and Indonesia’s vast populations have yet to broadly accept the appeal of investment funds – although their asset management sectors are expanding rapidly.

In Singapore, for example, professionally managed assets such as pensions and life assurance recently made up almost 50% of household assets. This level is broadly equivalent to the US. In Malaysia, they’re close to 60%. Yet in China, the proportion is only a little over 10%.

Looking to mutual fund assets in particular, in Hong Kong and Malaysia they form an exceptionally high proportion of household financial assets, at 14% and 16% respectively. These penetration rates are far higher than in the US, the home of mutual funds, where the proportion is 11%. But in Indonesia the proportion is only a little above zero.

Clearly, the greatest growth opportunities are in the large lesser developed markets such as China, India and Indonesia.

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2. CEIC, Bloomberg, Global Demographics, OECD, Eurostat, IMF, central banks and finance ministries, Standard Chartered Research.
Changing investor appetites
While it used to be thought that Asian investing had a local bias, the past few years may have changed that. “It is undoubtedly the case that Asia’s economies are growing faster than the rest of the world’s,” explains Richard Mountford, Schroders’ Head of Asia Pacific. “However, Asian stock markets are very poor proxies for their economies, so it is not always easy to invest in the growth using local markets. So the idea that investors have a local bias is changing.

Instead, Schroders sees Asian investors seeking high income funds in a world of low inflation and low interest rates. Furthermore, there is likely to be growing demand for funds with specific outcomes – for example inflation plus a certain yield.
Historically, Asia’s investors have been credited with two characteristics – a trading mentality and an appetite for income. The former explains the preference for structured products that reduce uncertainty by fixing the maximum loss. The latter supports the popularity of income funds, especially given the need to save for retirement and education in countries with under-developed pension systems. So strong is the desire for income that a fund without a distributing local currency share class is unlikely to succeed.

But shifting market conditions are influencing demand. In 2015, diversified multi-income funds sold well. Investors were attracted by the combination of a high 4-5% yield and the risk diversification arising from a range of fixed-income strategies and up to 2,000 securities. Since the China-driven market volatility in early 2016, liquid alternative funds have been in demand due to their absolute return qualities.

Financial deepening in countries such as China, with its newly open bond markets will make manufacturing these products locally easier. Many investors may seek to buy more international products that provide the investment characteristics they seek. However, there are practical limitations. In Indonesia, for example, the local market capitalisation is small, but savers cannot buy international investments and local funds are currently limited to investing 15% outside the country. However, Otoritas Jasa Keuangan (OJK), the local regulator, recently announced that it would allow Islamic mutual funds to invest in overseas securities and foreign exchange, providing an opportunity for international asset managers. This has boosted hopes that all Indonesian funds will soon be able to invest overseas – a possibility that has been under discussion for more than a year.

The single biggest change in the next 10 years could be development of infrastructure as an asset class. China alone plans to invest up to US$1tn in its ‘One Belt, One Road’ scheme to construct ports, roads, railways and pipelines stretching across Asia, west Africa, the Middle East and into Africa. Further, the Asian Infrastructure Investment Bank (AIIB) expects to approve US$1.2bn in funding in 2016.14 If a multilateral institution like the AIIB were prepared to share development risks with the private sector, it could make these projects financeable. The result would be a sizeable new set of Asian assets for asset managers to invest in.

Efforts are being made to encourage the AIIB and similar institutions to play a risk-sharing role, but there are no signs of imminent change.

It is undoubtedly the case that Asia’s economies are growing faster than the rest of the world’s. However, Asian stock markets are very poor proxies for their economies, so it is not always easy to invest in the growth using local markets. So the idea that investors have a local bias is changing.

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14 Financial Times, China’s AIIB seeks to pave new Silk Road with first projects (April 2016).

Richard Mountford
Head of Asia Pacific
Schroders PLC.
Accessing local markets: the devil is in the detail

While there are different ways to access Asia, targeting the retail market requires investment and a local presence. Asset managers based in London or New York can market directly to Asian pension funds, but it is not clear whether future defined contribution schemes will be centrally administered, or whether individuals will make their own investment choices. If the latter is the case, then pension schemes will effectively be retail investments.

“If pension funds are going to be a major source of growth you need to be able to access that,” says Schroders’ Mountford. “We do not know whether pension fund business will be institutional or retail like 401k in the US. So you need to position yourself to do both.”

This means that any asset manager seeking to establish a regional business – rather than bidding for select institutional mandates – must build a local presence. Some countries only allow asset managers operating from within the country, with locally domiciled funds, to market to the general population. In other countries, asset managers need a local presence to build a brand with strong recognition.

“I do not think you could operate an Asia strategy successfully by taking a centralised view,” says Eastspring’s Strapp. “It does work for many institutional clients, but retail investors need a more targeted and local approach – it’s not a one size fits all approach. Asia is a diverse market. Success requires local execution, local expertise, local client interaction, local regulatory engagement and often local licensing – in other words a footprint like ours is a requirement for success. However, this model is expensive to create and so barriers to entry are high.”

But getting established locally requires patience, planning and investment. It can take many years to build an asset manager’s brand awareness and develop local talent. Additionally, a market must have the potential for funds to gain the scale they need in order to be economic. Often, setting up in a country is a medium-term investment for the future, requiring faith in the growth of the local asset management sector and the regulators or policy makers.
Passports’ medium-term potential

Hong Kong and China’s mutual recognition scheme, launched in July 2015, along with the two fund passports – the ASEAN Collective Investment Schemes (CIS) and the Asia Region Funds Passport (ARFP) – have the potential to open up the retail market. The former has started slowly but shows great promise. The scheme gives Hong Kong-based asset managers approved under it access to Chinese investors. Similarly, it allows Hong Kong investors to buy Chinese funds directly, and initially this ‘southbound’ route has proved the fastest growing. At the end of 2015, a batch of seven funds was approved under the scheme.

As Hong Kong is a Chinese Special Administrative Region, it is likely that difficulties with regulations and tax policies can be harmonised. Some asset managers now view Hong Kong as a backdoor to China. Over time, it’s likely that a large number of Hong Kong-domiciled funds will be sold into China. Equally, Chinese asset managers will also market into Hong Kong.

The ASEAN Collective Investment Schemes (CIS) and the Asia Region Funds Passport (ARFP) are likely to take longer to gather momentum. The former covers Singapore, Malaysia and Thailand, while the latter is likely to encompass Australia, New Zealand, Japan, the Republic of Korea, Thailand, the Philippines and Singapore. In order for these passports to work smoothly, participating countries need to harmonise the relevant fund regulations and tax rules. The ARFP has the potential to be successful as it is modelled on the third version of UCITS (UCITS III), which overcame some of the directive’s teething problems. Furthermore, its member countries together have a large range of funds with sizeable assets, helping asset managers to build scale.

Judging by the experience of UCITS in Europe, these passports could enable asset managers to distribute funds far more widely. However, getting established will take time given the regulatory and tax obstacles.

In Asia, for now, some less well-publicised regulatory changes are quietly liberalising fund distribution, often with greater immediate benefits for cross-border sales. For example, Malaysia and Thailand have schemes that allow the approval of locally domiciled funds to operate as feeder or funds of funds, where they use third-party products such as UCITS. In both markets these have proved more successful than the ASEAN passport scheme.
**Digital’s great possibilities**

The phenomenon of China’s money market funds shows the scope for digital distribution. Savers have so far proved reluctant to graduate from products that are proxies for deposit accounts. Given greater education and advice, however, this could quickly change.

Robo advisers might encourage longer-term investment in more complex products. They customise savers’ investment portfolios in a way that is simple, low cost and objective. As international financial institutions finally overcome the difficulties lingering from the financial crisis, they are focusing on wealth management. Asia’s growing wealthy are a natural destination, and robo advisers a natural distribution tool.

There is also potential for fund distribution by mobile. This would have the advantage of making more remote parts of Asia accessible. Some asset managers are exploring the technical practicalities of taking subscription and redemption instructions by mobile. Meanwhile, a few banks such as Standard Chartered are exploring options with telecommunications companies in a range of countries.

Online funds are also continuing to grow their customer base, and this begs the question of how regulators are likely to respond. In China, for example, regulatory bodies such as the People’s Bank of China and China Securities Regulatory Commission are scrutinising online platforms. Governance issues such as KYC, AML, risk management and consumer protection are likely areas for consideration.

In order to distribute to local investors, international asset managers need to forge strong partnerships. Fund distribution in Asia remains highly fragmented, with no single channel having dominance in every market. In China, for example, the banks dominate 80% of fund product sales, while securities firms dominate market share in Korea and Japan.

In Singapore and Hong Kong, a small group of bank-owned wealth managers have open architecture platforms. They distribute funds to high-net worth individuals from around the region in much the same way as their colleagues do in Europe.
Local partners’ commitment

When entering Asia’s local markets, international asset managers need reliable banking partners with deep local roots. Such a partner can distribute their funds, help them to form alliances with or buy local asset managers, trade in local markets and perform post-trade services. The importance of a local partner offering global best practice standards, modern technology and flexible solutions cannot be overstated.

In countries such as Indonesia, for example, while it is theoretically possible to gain a license to operate from the central bank, in reality this is no longer an option.15 Realistically, the only way to enter the market is to buy an existing asset manager, either a dormant firm that has a license or a company that has an established business. A good banking partner with local specialist knowledge can help to identify and broker a suitable target.

FX is a critical issue in some countries. Some currency markets are heavily regulated and can be illiquid during times of market stress. This results in operational challenges that can only be solved by banks with deep regulatory and market expertise.

Asset managers might also want value-added solutions, such as quality investment research, transaction banking and financial markets products, which have the potential to improve efficiency and lower costs when effectively integrated with post-trade services. In countries with large Muslim populations, asset managers should look into a bank’s expertise in Islamic finance and supporting Islamic investment products.

Given the rapidity of regulatory change in some markets, asset managers should seek to work with a provider in constant and close dialogue with the regulator. Often regulation is about interpretation and understanding how to address the grey areas. Only a bank with a local presence and strong local relationships can do that.

Indicating the importance of regulations, Aberdeen’s Young says: “Whether we go into a jurisdiction is based on whether it is transparent and the rules are clear. In some of the largest countries this is not the case, so we have chosen not to go into them.”

Crucially, when asset managers are selecting bank partners, they need to consider both their immediate and future needs. Building a scalable Asian business will take time and commitment – from both the asset manager and its banking partner.

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15 See Indonesia: Asia’s untapped growth opportunity (Standard Chartered 2015).
Conclusion: tapping into the next 10 years of growth

Looking forward to 2025, Asia is an exciting place for asset managers, as Lieven Debruyne, CEO in Hong Kong for Schroder Investment Management, sums up. “We will see a number of new markets emerge and become much more substantial,” he anticipates. “China, India, Indonesia – all these countries have high savings rates and large middle classes. I think these countries will come through. There will be fundamental change and digital will be a great enabler.”

**How then should international asset managers access these markets?**

The following five points need to be considered:

1. Develop a product strategy based on current economic conditions. Recent Asian equity market volatility means there is no longer a local bias. Income, multi-asset or outcome-based funds are popular.

2. Look into product manufacturing opportunities arising from financial deepening. China’s newly-open bond market offers new possibilities; as Asian infrastructure might do further into the future.

3. Establish a local presence. Unless planning to market a niche investment strategy to an institutional market, it is necessary to establish a local presence in order to have a good chance of building brand recognition and market share.

4. Develop a digital strategy. Robo advisers, internet platforms and even mobile look likely to transform Asian fund distribution.

5. Forge strong local partnerships. A bank combining a long-standing Asian presence operating to international standards and with a broad reach can provide vital market access and intelligence.

In conclusion, Asia’s asset management industry has reached an inflection point. It is growing rapidly. Liberalisation, demographics and deepening capital markets will ensure this expansion continues. As it does, asset management products will become more widely understood and accepted. Furthermore, passports and digital technology will allow funds to be distributed more widely.

As the industry matures over the next 10 years, asset managers will increasingly focus on building brand recognition and establishing strong market positions in order to capitalise on the opportunities Asia offers.
Standard Chartered contributors

Jeremy Amias
Managing Director
Global Head, Financial Institutions

Alexis Calla
Managing Director
Global Head, Investment Advisory and Strategy

Dany Dupasquier
Managing Director
Head, Mutual Funds and Hedge Funds

Margaret Harwood-Jones
Managing Director
Head, Investors and Intermediaries, Transaction Banking

David Mann
Managing Director
Chief Economist Asia, Global Research

Alan Naughton
Managing Director
Head, Securities Services and Corporate Agency & Trust, Transaction Banking

Eric Robertsen
Head, Global Macro Strategy and FX Research

Kaushik Rudra
Managing Director
Head, Rates & Credit Research
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