

# *SMPG Funds Workstream*

## Asset Management 2020 and beyond

7 October 2015



# ***Agenda for today***

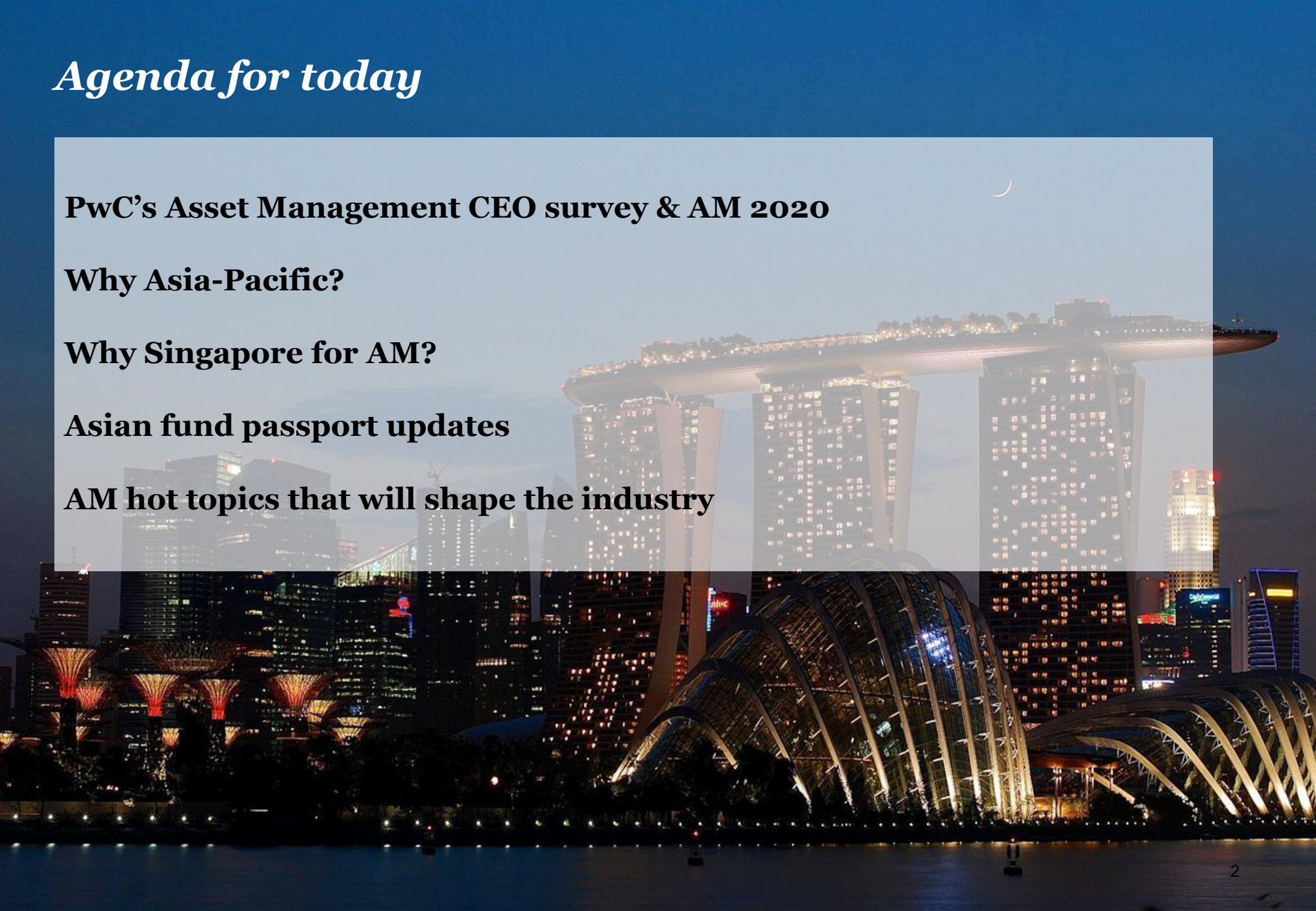
**PwC's Asset Management CEO survey & AM 2020**

**Why Asia-Pacific?**

**Why Singapore for AM?**

**Asian fund passport updates**

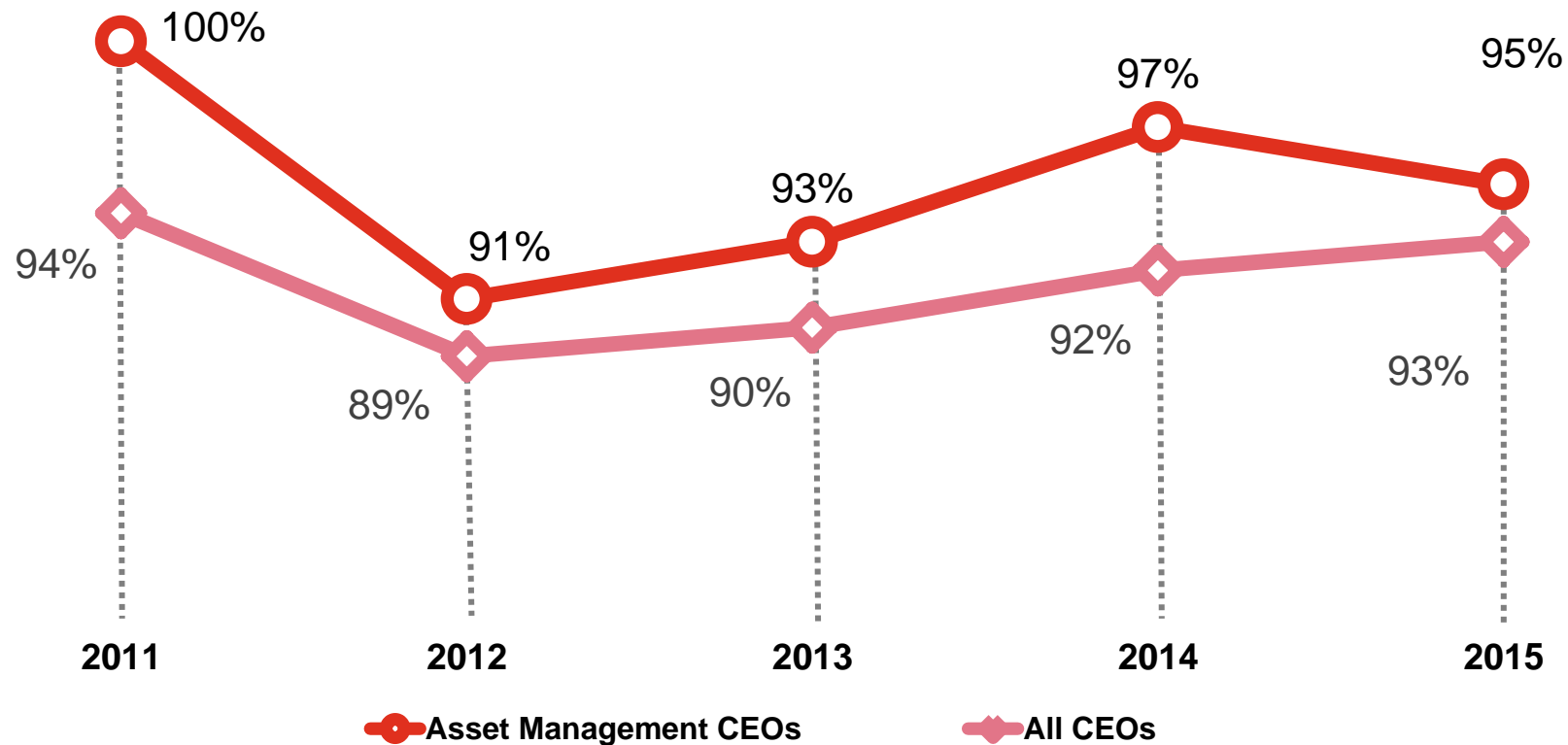
**AM hot topics that will shape the industry**



# *AM CEO survey and AM 2020*

# *Confidence has rebounded, and remains consistently higher than other CEOs*

**Confidence about company's prospects for revenue growth over the next 3 years**

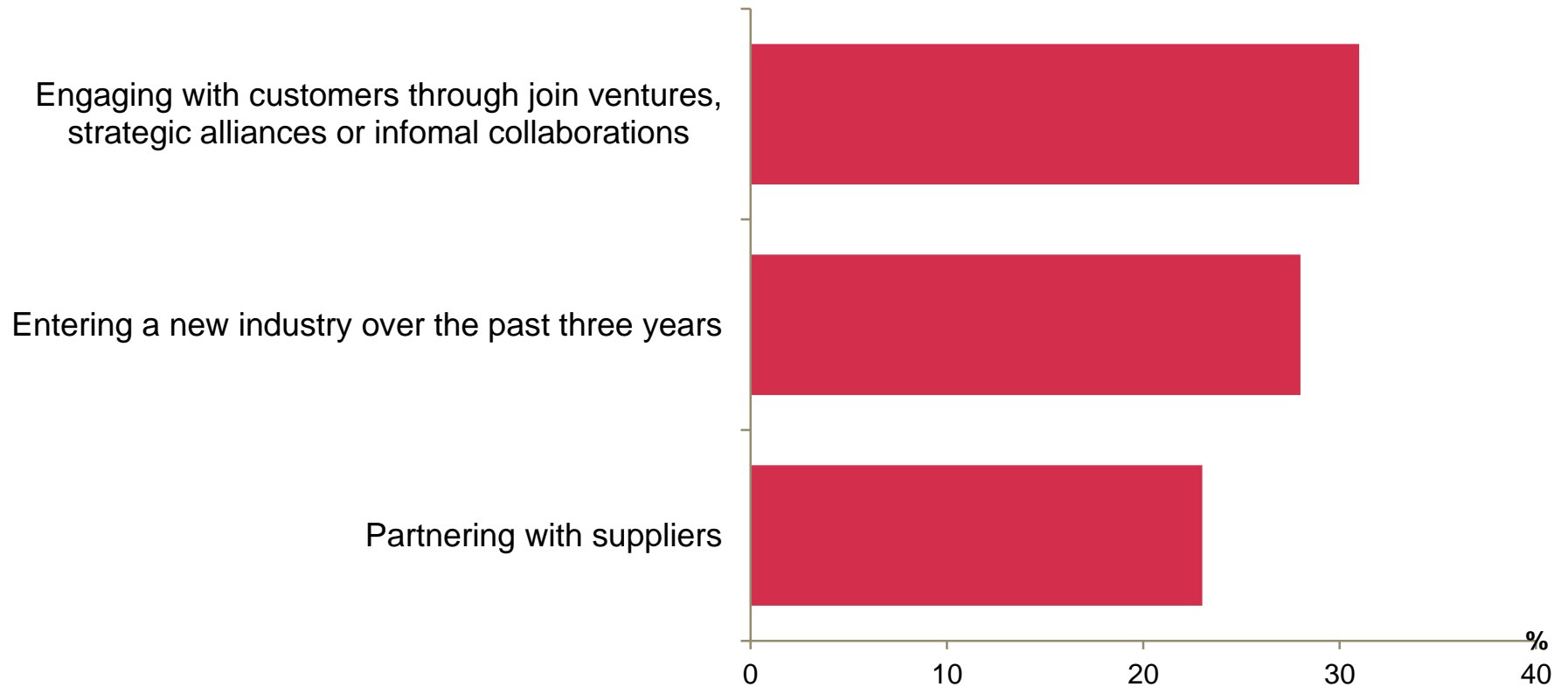


Source : PwC 18<sup>th</sup> Annual Global CEO Survey – Asset Management



# ***Finding new paths to profitable growth***

## **Main opportunities to grow business in the next 12 months**

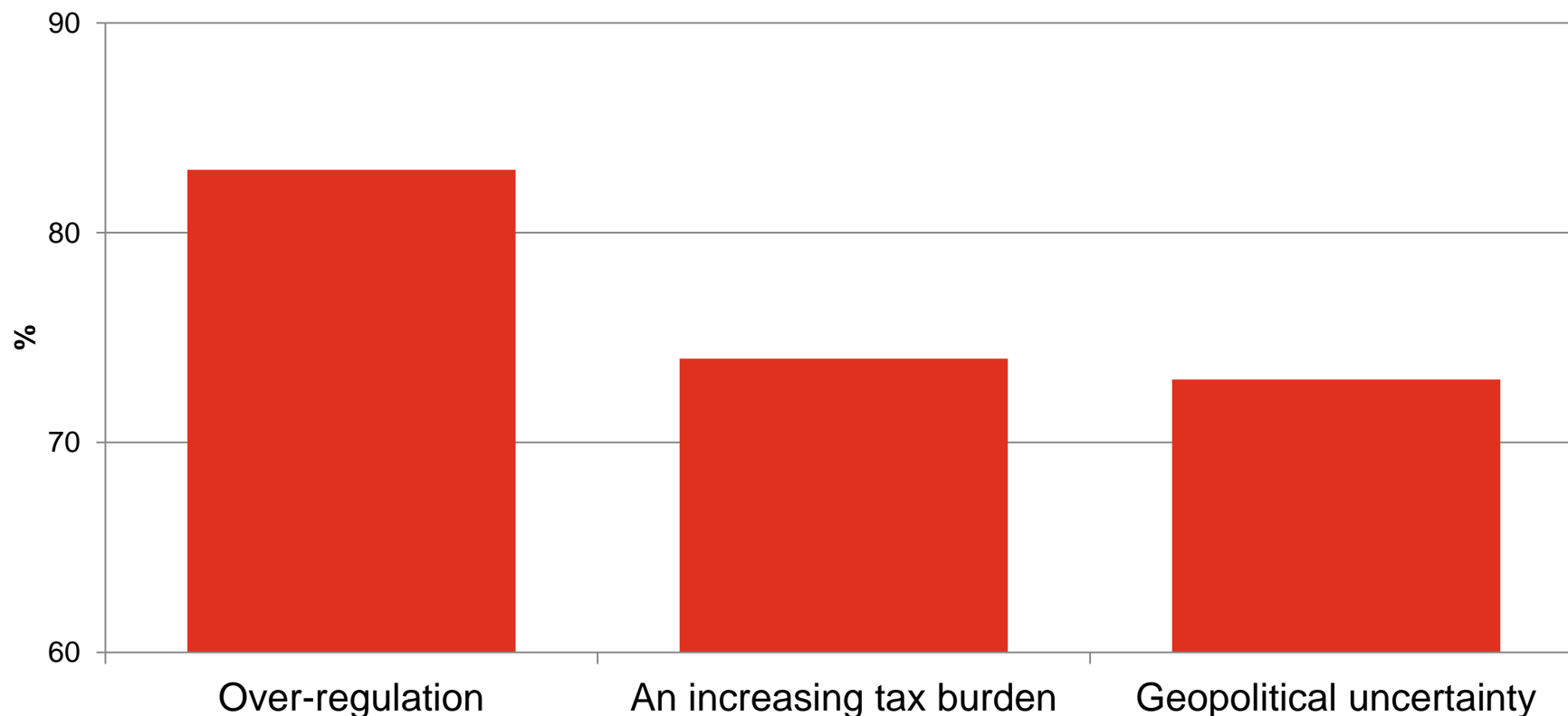


Source : PwC 18<sup>th</sup> Annual Global CEO Survey – Asset Management

PwC

# ***Over-regulation is a constant external threat to business growth strategies***

## **Top three economic, political and social threats to growth prospects**



Source : PwC 18<sup>th</sup> Annual Global CEO Survey – Asset Management

# ***CEOs believe the same threats to growth plans in 2013 remain the same today***

## **Top five potential business threats to company's growth prospects**



**Shift in  
consumer  
spending  
and  
behaviours**



**Lack of  
trust in  
business**



**Speed of  
change in  
technology**



**Availability  
of key skills**



**Cyber  
threats  
including  
lack of data  
security**

***Technology is here to stay, and the advantage now will become the norm in the future***

**AM CEOs who regard digital technologies as creating value for their organisations**

**88%**

**79%**

**79%**

**76%**

**Improving  
operational  
efficiency**

**Data mining &  
analysis**

**Digital trust  
including  
Cybersecurity**

**Customer  
experience**



# Finding new paths to profitable growth

## Malaysia's Affin Hwang launches Value Partners feeder fund

By Shannen Wong June 9, 2015

Malaysia's Affin Hwang Asset Management (Affin Hwang AM) has secured access to a high-dividend stock fund managed by Hong Kong-based Value Partners (HK\$100 million (US\$26.5 million) for the fund by year-end, according to a statement from Affin Hwang.

strategic alliances or informal collaborations



**IGNITES  
ASIA**

A Financial Times Service

[Print](#) | [Close Window](#)

## Aberdeen buying Flag Capital to widen global alts offerings

By Mary Grace Brody May 29, 2015

Aberdeen Asset Management has entered into an agreement to acquire Flag Capital Management, according to a statement from Aberdeen.



**IGNITES  
ASIA**

A Financial Times Service

[Print](#) | [Close Window](#)

## China's Xiaomi, E Fund in investment app launch

May 13, 2015

China's smartphone maker Xiaomi has launched an online investment app, according to Bloomberg reports.

The new service, offered in alliance with E Fund Management, will serve millions of users.

**AsianInvestor**




Inside Asia-Pacific's asset management industry

## Amundi to move into Asia's competitive ETF marketplace

By Bernadette Tio | 16 March 2015

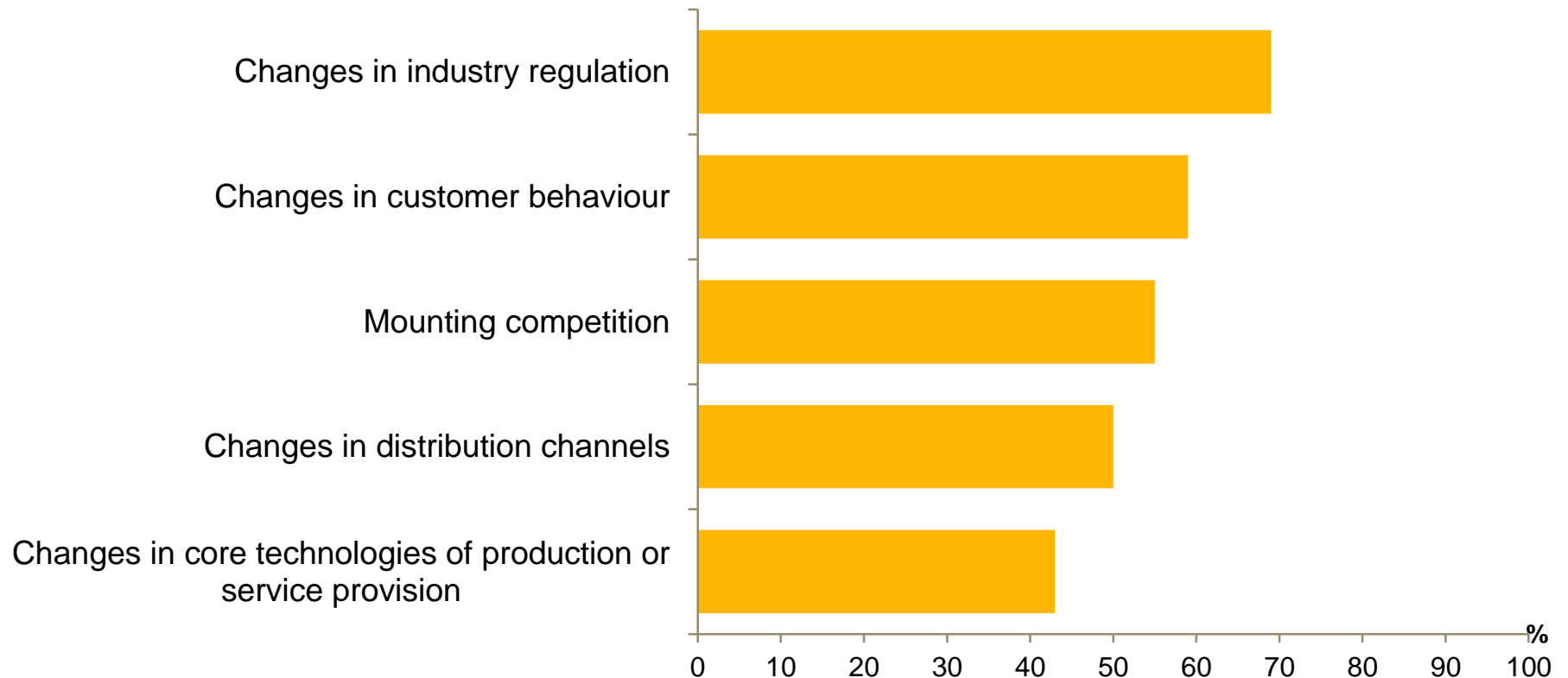
The French asset manager will soon make its debut in Asia's ETF market, which its North Asia CEO

# ***Disruptors are changing the business model and creating new entrants***

	The world's largest taxi company	Owens NO cars
	The world's biggest social media network	Creates NO content
	The most valuable retailer	Has NO inventory
	The world's largest accommodation provider	Owens NO real estate

# ***What's disrupting the asset management world?***

## **Top 3 disruptions**



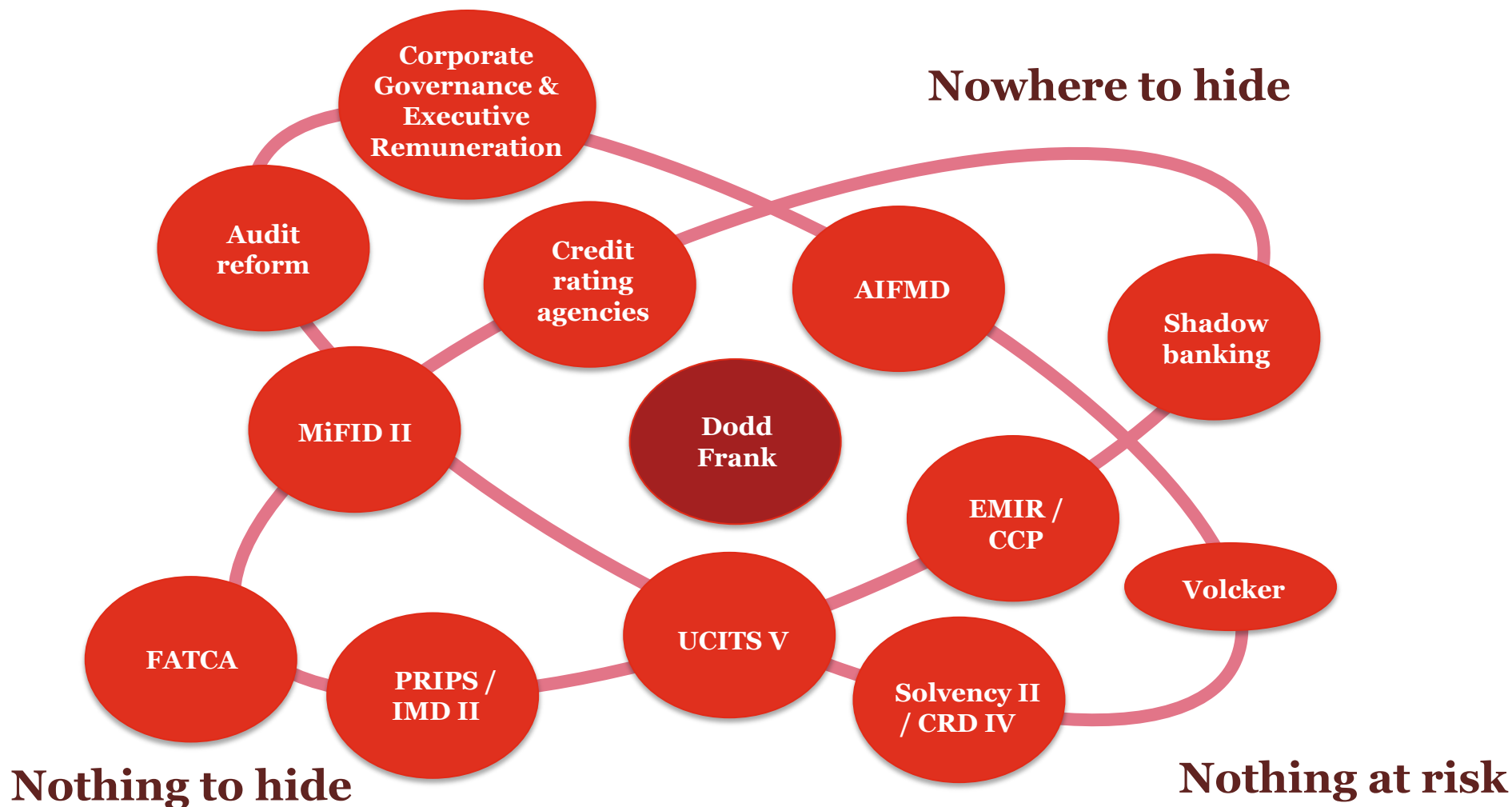
Source : PwC 18th Annual Global CEO Survey – Asset Management

# *The new generation connects with brands this current generation doesn't*

## Fin Tech for Millennials



# *Regulatory compliance will become embedded into the DNA of your business*



## ***Key points to chew on .....***

Megatrends are changing the way the world works

Disruption will come from non-traditional sources

Technology is the ultimate game changer

Adapt or die is the mantra



# Let's continue the discussion

Amid unprecedented economic turmoil and regulatory change, most asset managers have afforded themselves little time to bring the future into focus. But the industry stands on the precipice of a number of fundamental shifts that will shape the future of the asset management industry.

To help asset managers plan for the future, we have considered the likely changes in the asset management industry landscape over the coming years and identified key gamechangers which will impact the competitive environment.

## Asset Management 2020 A Brave New World

Executive Summary



The ETF (Exchange Traded Fund) market is growing at a rapid pace. ETFs are no longer considered a niche product and a growing number of organisations are likely to enter this market in the future. To help asset managers prepare to compete in this fast changing environment, we have considered the ongoing evolution, barriers to growth and the opportunities that lie ahead, and how they can plan for 2020.

## ETF 2020 Preparing for a new horizon



As confidence returns to real estate, the industry faces a number of fundamental shifts that will shape its future.

We have looked into the likely changes in the real estate landscape over the coming years and identified the key trends which, we believe, will have profound implications for real estate investment and development.

## Real Estate 2020 Building the future



Over the past several years, rapid developments in the global economic environment have pushed asset management to the forefront of social and economic change. An important part of this change – the need for increased and sustainable long-term investment returns – has propelled the alternative asset classes to centre stage. To help alternative asset managers plan for the future, we have considered the likely changes in the alternative asset management industry landscape over the coming years and identified six key business imperatives for alternative asset managers. We have then examined how managers can implement and prosper from each of these six imperatives.

## Alternative asset management 2020 Fast forward to centre stage

Report



[www.pwc.com/altm2020](http://www.pwc.com/altm2020)

Africa presents an exciting opportunity: as wealth continues to increase, more domestic investors emerge, while improvements in regulatory frameworks are enticing foreign investment and distribution. In this report we seek to highlight the potential opportunities and challenges that may lie ahead for investors and how they can plan for 2020 and beyond.

## Africa Asset Management 2020



[www.amafrica2020.com](http://www.amafrica2020.com)



[www.pwc.com/realestate](http://www.pwc.com/realestate)

# *Why Asia- Pacific?*

**The next growth destination!**

- **Fund passports on the horizon**
- **ASEAN economic union**
- **Rise in the middle class population's wealth**



# *There are three fund recognition schemes envisaged in Asia Pacific*

## **Hong Kong – China Mutual Recognition**



**Status:** First phase completed but no specific timeline announced for final implementation

**Countries in scope:** China, Hong Kong

## **ASEAN CIS**



**Status:** Live 25 August 2014

**Countries in scope:** Malaysia, Singapore and Thailand

## **Asia Region Fund Passport**

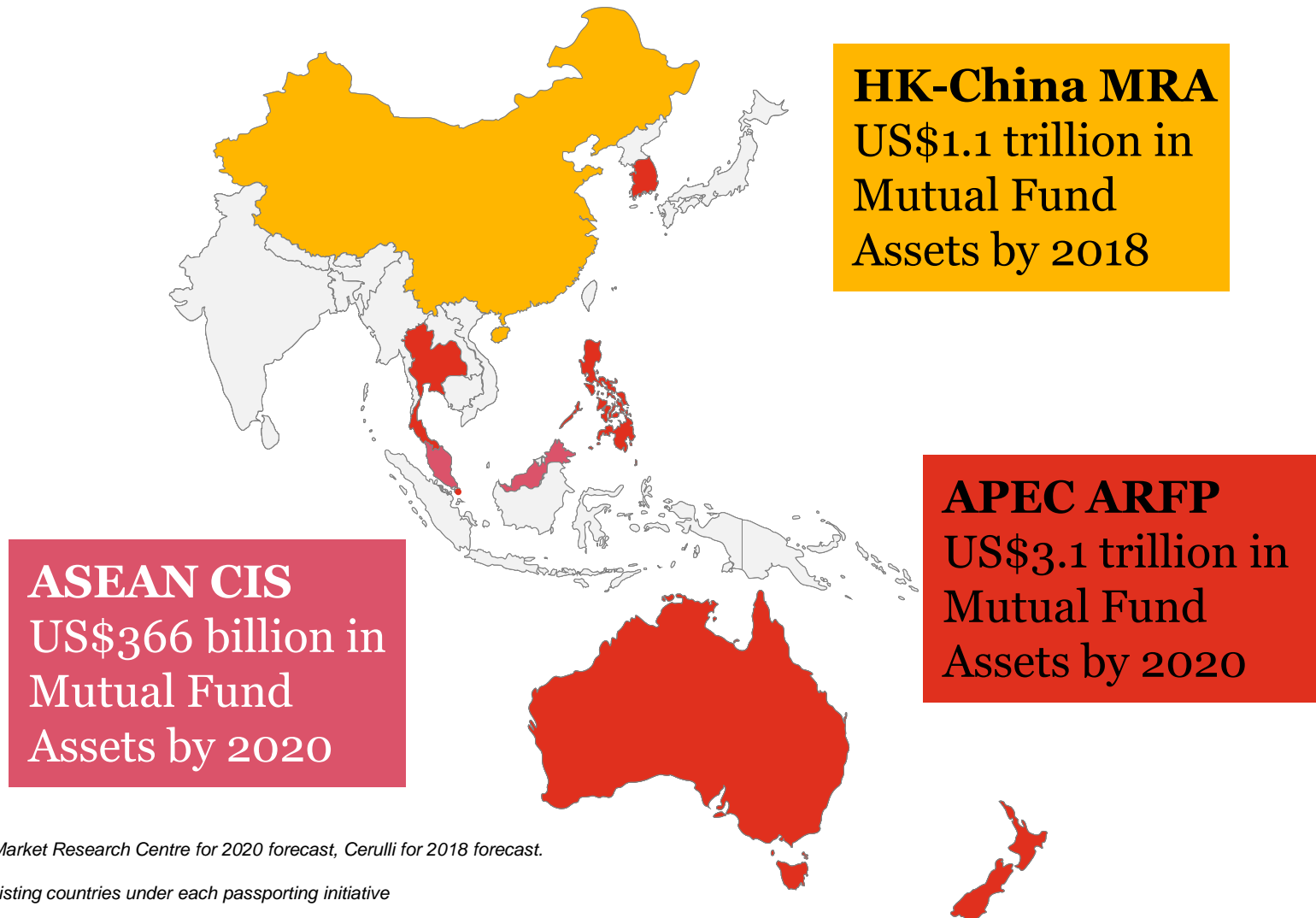


**Status:** Second consultation issued in February 2015, final MOUs expected to be signed Dec 2015

**Countries in scope:** Australia, South Korea, New Zealand, Thailand, Philippines and Singapore is temporarily out of scope

# ***What's the potential of the passports?***

Estimated size of the Asian fund passporting regimes\*

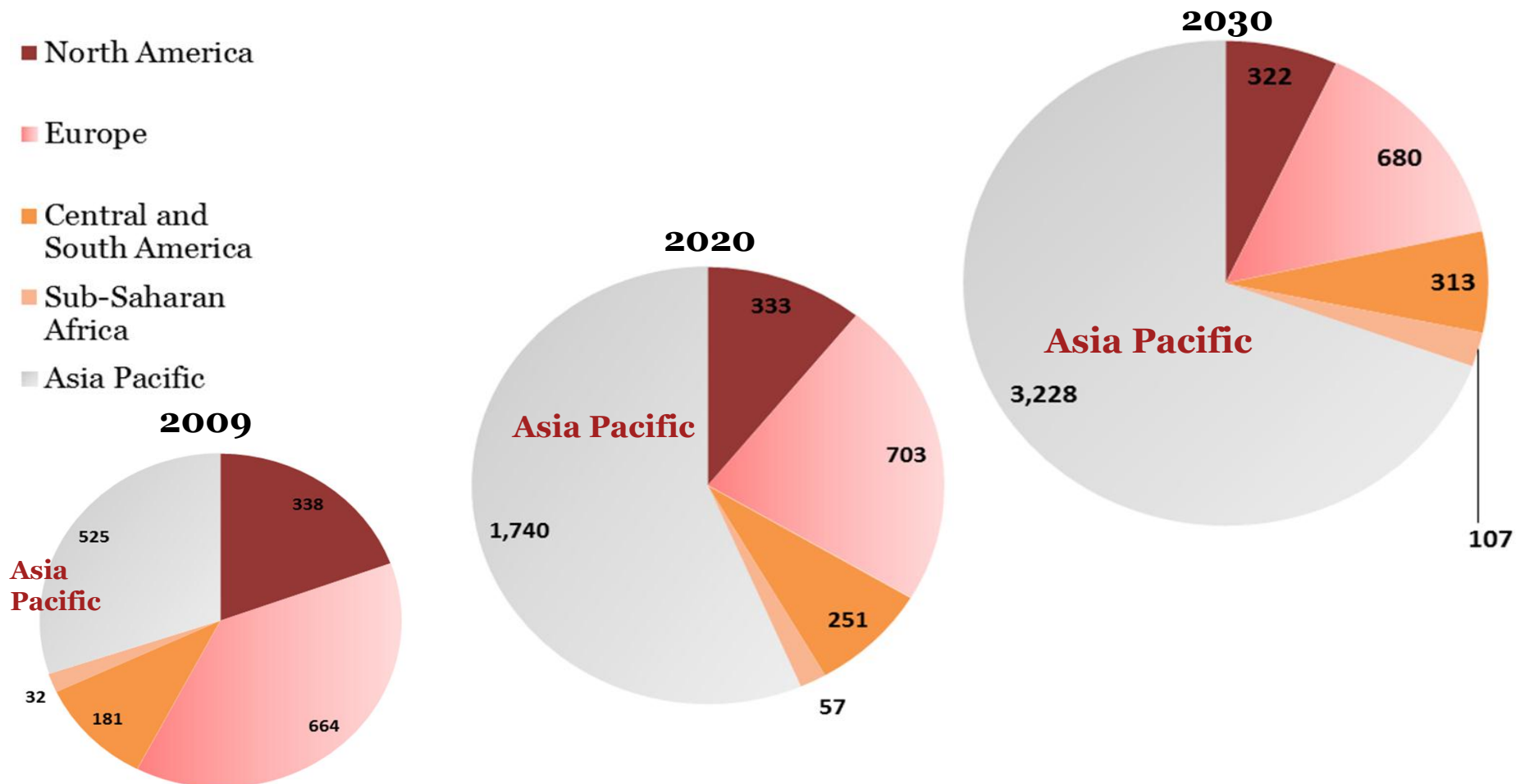


Source: PwC Market Research Centre for 2020 forecast, Cerulli for 2018 forecast.

\* Based on existing countries under each passporting initiative

# The rise of the middle class population in Asia

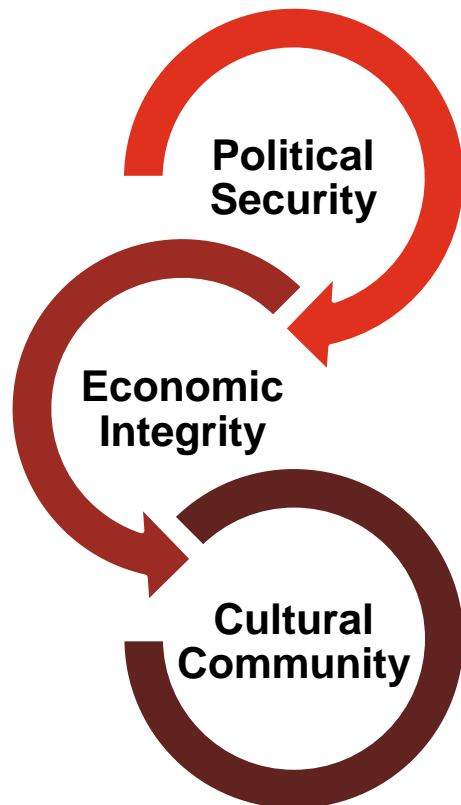
(Millions of people and global share)



Source: The Emerging Middle Class in Developing Countries, Homi Kharas Brookings and World Bank.

# ***ASEAN 2015 : an economic, political & cultural community***

**One Vision. One Identity. One Community.**



## **What is ASEAN 2015?**

- A Regional Comprehensive Economic Partnership, of which negotiations have started among member states of ASEAN and its six FTA partners namely Australia, China, India, Japan, Korea and New Zealand
- Expected to conclude by 2015, and will further cement ASEAN's central role as an emerging hub of economic integration in the Asia-Pacific.

Foreword by Secretary General of ASEAN Le Luong Minh.

Sources: ASEAN Annual Report 2012 - 2013



# *Why Singapore for AM?*

## **Singapore's six-hour market reach**

Access to over 3 billion people within six hours

Top Air Connectivity – access to over 100 airlines that link to 220 cities in 60 countries

Top Sea Connectivity – access to over 200 shipping lines that link to 600 ports in 123 countries

# Singapore - A Global Business Hub

**7,000 multi-national corporations**

*60% with regional responsibilities*

**37,400 international companies**

*including*

*3,200 from China,*

*4,400 from India,*

*7,900 from ASEAN*

*(excluding Singapore)*



# ***The asset management building blocks***

Singapore's initiatives and incentives

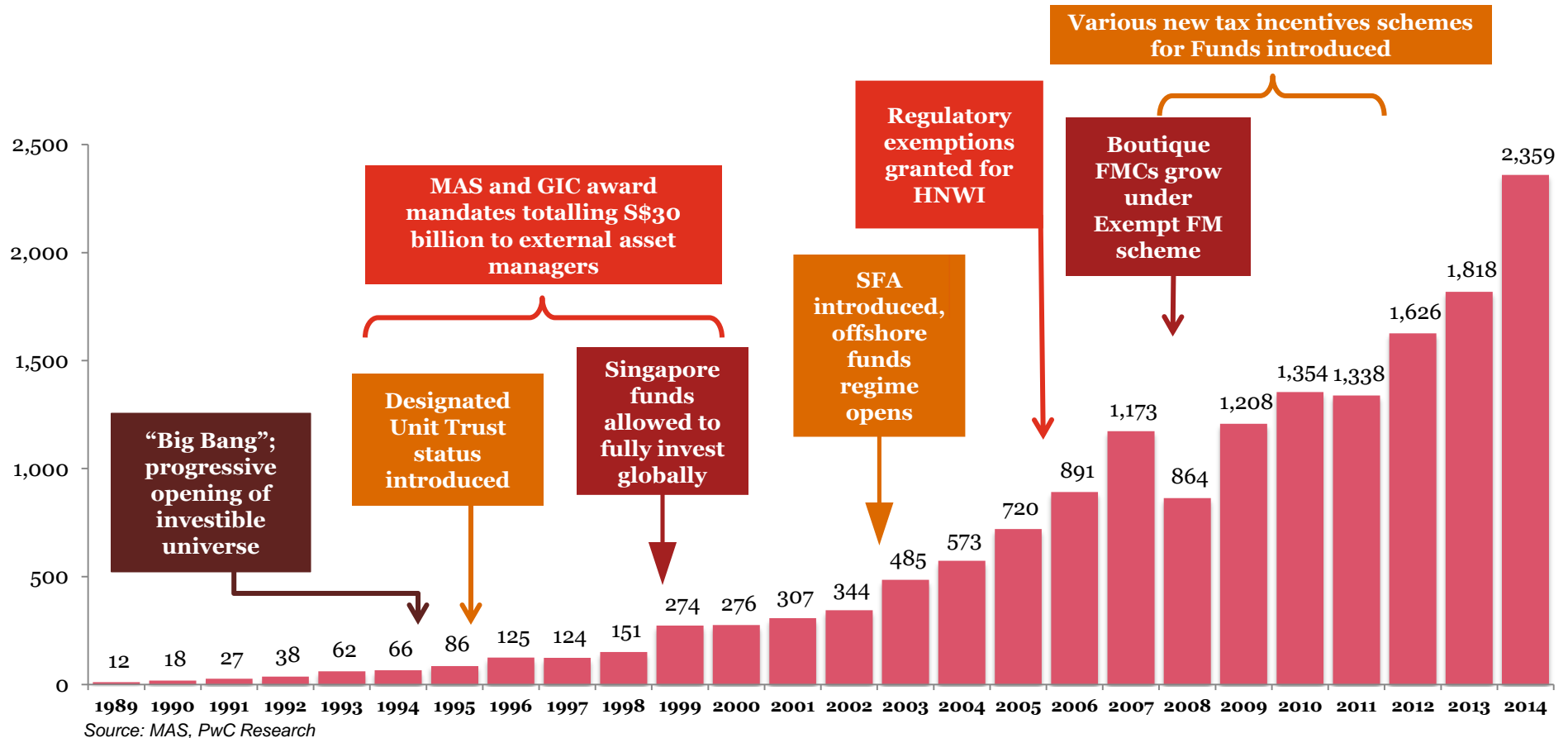


## ***What makes Singapore a preferred jurisdiction is equally a measure of non-financial factors***

<b>Political and economic stability</b>	<b>Transparency</b>	<b>Sound and predictable regulation</b>	<b>Efficiency and connectivity</b>
<b>Low bureaucratic red-tape</b>	<b>Safety and low crime</b>	<b>Governance standards</b>	<b>Sound infrastructure</b>
<b>Easy place to do business</b>	<b>Low corruption</b>	<b>Lifestyle choices</b>	<b>Quality workforce</b>

# Tracking the growth of Singapore's asset management industry

AUM in Singapore (in SGD billion)



# *Singapore is the best location to domicile your ASEAN focused funds*

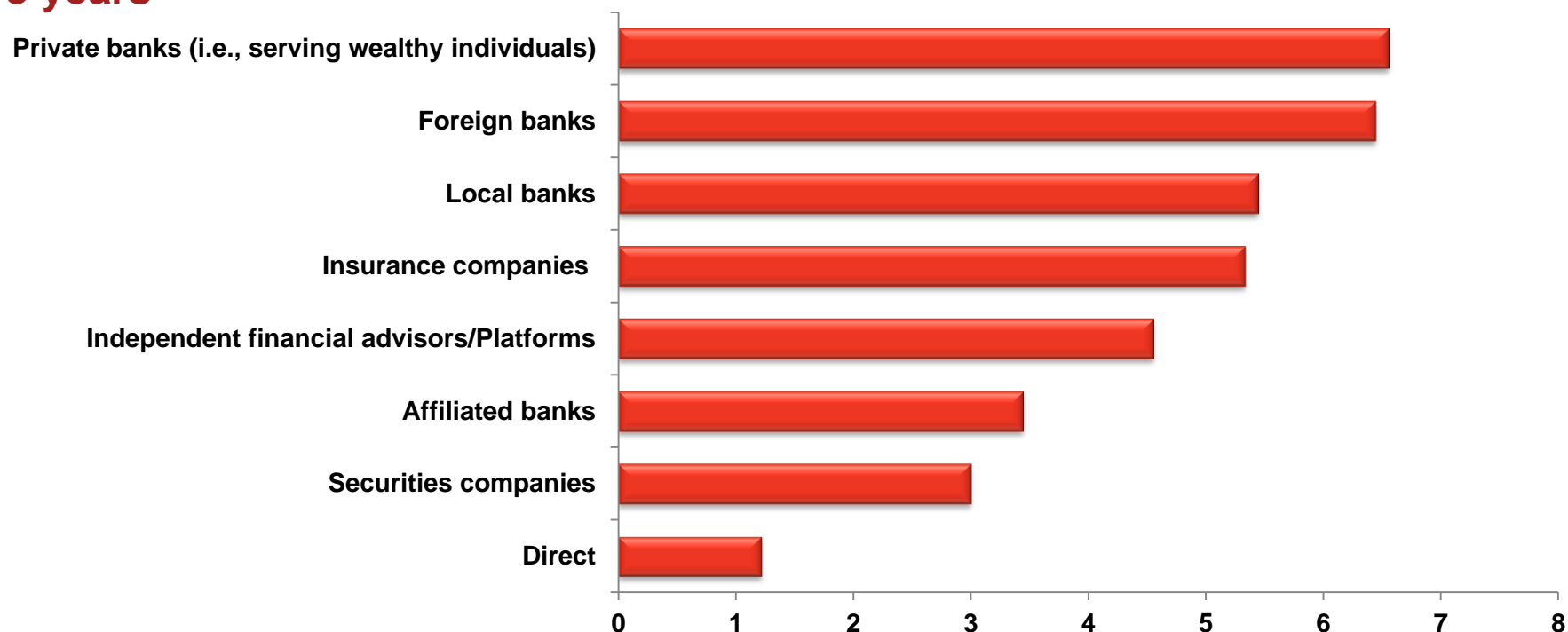


Sources: CIA World Factbook (Population is July 2015 Estimates & GDP is PPP and is 2014 estimates)



# *Private banking channels will continue to be the big game in town*

## **Distribution channels which Singapore managers intend to expand over the next 3 years**



Sources: Morningstar Direct, Cerulli Associates

Note: (1) Include both direct sales of mutual funds, and sales of mutual funds through investment-linked products.

## ***Where does Singapore want to play in the future?***

Manufacturing, distribution, advisory and/or servicing?

Onshore or offshore fund domicile?

Asian hub for cross-border fund passporting?

Preferred fund listing centre in Asia?

# *Asian fund passport - updates*



## ***China-Hong Kong Mutual Recognition of Funds ("MRF")***

	<b>Hong Kong</b>	<b>China</b>
Total AUM (including locally domiciled mutual funds only)	US\$60 billion	RMB5,241.4 billion
Total number of mutual funds	1,126	2,027
Total number of mutual funds eligible for MRF	About 100	About 850
Number of mutual funds approved	<b>10</b> China domiciled funds approved for distribution in Hong Kong	<b>14</b> Hong-Kong domiciled funds approved for distribution in China (mainly equity funds)



## ***China-Hong Kong Mutual Recognition of Funds ("MRF")***

<b>SFC requirements for entry to Hong Kong</b>	<b>CSRC requirements for entry to mainland China</b>
Domiciled on the Mainland	Domiciled in Hong Kong
Fund registered with CSRC	Fund registered with SFC
Established and authorised for over one year	Established and authorised for over one year
Fund size not less than RMB200 million	Fund size not less than RMB200 million
Less than 20% of assets in Hong Kong	Less than 20% of assets in Mainland
Distribution to Hong Kong investors doesn't exceed 50% of total assets	Distribution to Mainland investors doesn't exceed 50% of total assets
Investment management function remains on Mainland	Investment management function remains in Hong Kong
Must appoint a Hong Kong representative	Must appoint a Mainland agent



## ***ASEAN CIS – Key principles***

**Approved for  
retail offer in  
home country**

- Legal structures approved for CIS offered to retail investors (i.e. Authorised scheme approved by MAS)

**Common  
standards  
imposed on  
Qualifying  
Manager, Trustee  
and CIS**

**Qualifying CIS Operator  
(locally regulated)**

- Track record (5 years, US\$500m global AUM)
- At least US\$1m capital
- Competency & experience
- Delegation restrictions

**Qualifying CIS  
(locally domiciled)**

- No performance fees
- Transferable securities
- Investments into other funds permitted
- Limits on derivatives

**Annual  
compliance audit**

- Annual audit of the CIS Operator covering, at a minimum, compliance with the Common Standards

**Appoint local  
distributors and  
local  
representatives**

- Use of locally licensed intermediaries in host country
- May need to appoint a local representative
- Subject to host country requirements on offer of CIS

**No performance fees**

**No repo or SEC  
lending**

**Limit on delegation**

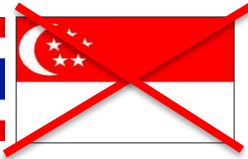


## ***ASEAN CIS – participants today***

#	Home Regulator	Company name	Fund name	Asset Class
1	Singapore	Maybank Asset Management	Maybank Asian Equity Fund	Equity
2	Singapore	Maybank Asset Management	Maybank Asian Income Fund	Fixed Income
3	Singapore	Nikko Asset Management	Singapore Dividend Equity Fund	Equity
4	Singapore	Nikko Asset Management	Nikko AM China Equity Fund	Equity
5	Singapore	Phillip Capital	Phillip Income Funds	Fixed Income
6	Malaysia	CIMB-Principal AM	CIMB-Principal Asean total Return Fund	Equity
7	Malaysia	CIMB-Principal AM	CIMB-Principal Asia Pacific Dynamic Income Fund	Fixed Income
8	Malaysia	CIMB-Principal AM	CIMB Islamic DALI Equity Theme Fund	Equity
9	Malaysia	CIMB-Principal AM	CIMB-Principal Malaysia Equity Fund	Equity
10	Malaysia	Maybank Asset Management	Maybank Bosera Greater China ASEAN Equity-I Fund	Equity
11	Thailand	One Asset Management	One Stoxx Asean Select Dividend Index Fund	Equity



# Asia Region Fund Passport



## April 2015

Public consultations on Passport MOU annexes conclude.

Working Group continues to engage with other economies to encourage their participation.

## August 2015

Working Group finalise MOU and annexes.

## May 2015

Working Group considers public submissions.

## September 2015

Willing and ready economies will become party to the Passport MOU.

**+ 12 months from economies becoming party to the passport MOU**

Economies which are party to the MOU will endeavour to implement changes to legislation and regulation where necessary.

When at least two economies give effect to the Passport arrangements, eligible Collective Investment Schemes in these economies can access the Passport arrangements.

## *Still no uniform access for offshore funds in Asia*

<i>Region</i>	<i>Country</i>	<i>Typical Offshore Fund Legal Structure</i>	<i>Market Access</i>
<i>Developed Asia</i>	<b>Singapore</b>	SICAV	Direct
	<b>Hong Kong</b>	SICAV	Direct
	<b>Japan</b>	FCP / SICAV	Direct
	<b>Australia</b>	Fund of funds + Master Feeder funds	Indirect
<i>Developing Asia</i>	<b>Taiwan</b>	SICAV	Direct
	<b>Korea</b>	Onshore feeder funds and wrappers, fund of funds & master-feeder funds	Direct and Indirect
<i>Emerging Asia</i>	<b>China</b>	Closed	
	<b>India</b>	Closed	
	<b>Malaysia</b>	Onshore feeder funds and wrappers, fund of funds & master-feeder funds	Indirect
	<b>Thailand</b>		Indirect
	<b>Indonesia</b>	Closed	

# ***But ....state of readiness and maturity is not consistent***

## Asian fund passporting country summary

	Current Size	Growth Potential	Opportunity	Market Access	Method of Entry
<b>AU</b>	Large	Moderate	Retail & Institutional	Low	Onshore
<b>SG</b>	Small	Low	HNWI	High	Offshore
<b>PH</b>	Small	Low	Retail	Low	Onshore
<b>TH</b>	Small	Moderate	Retail & Institutional	Low	Onshore
<b>NZ</b>	Small	Low	Retail	Low	Onshore
<b>KR</b>	Medium	Moderate	Retail & Institutional	Low	Onshore
<b>HK</b>	Medium	High	Retail & HNWI	High	Offshore
<b>TW</b>	Medium	High	Retail & Institutional	Moderate to High	Offshore
<b>CH</b>	Large	High	Retail	Low to Moderate	Onshore
<b>MY</b>	Small	Moderate	Retail & Institutional	Low to Moderate	Onshore

Source: PwC research

# *AM hot topics*

---

## ***Industry hot topics***

- ▶ Asian fund passporting and ASEAN Integration 2015
- ▶ Tax transparency and BEPS
- ▶ Outsourcing, governance and risk
- ▶ Institutional focus on infrastructure and real estate
- ▶ The rise of passives, smart beta and liquid alternatives
- ▶ Proliferation of pension products and demand for income
- ▶ Fee pressures and disintermediation by robo-advisors
- ▶ Cybercrime
- ▶ Alternative capital – shadow banks, crowdfunding



This presentation has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2015 PricewaterhouseCoopers LLP. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers LLP which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.