

Aberdeen Standard Investments: Building Capabilities and the Value Proposition for Asia

Andrew Hendry, Head of Distribution for Asia Pacific at Aberdeen Standard Investments (ASI), has a passion for woodworking, in his spare time lovingly and painstakingly making what are often sophisticated pieces of furniture. In his role at the relatively newly merged ASI he is also aiming to help create something of lasting value. He put down his tools to tell Hubbis his tale of how ASI is shaping up for the future.

Executive summary

Andrew Hendry, since April last year Head of Distribution for Asia Pacific at Aberdeen Standard Investments (ASI), is looking forward into 2019 with the 2017 merger of Standard Life and Aberdeen Asset Management now firmly embedded. He met with Hubbis to cast his eye over the world of investments and explain how the alliance has greatly strengthened capabilities and an enhanced value proposition for the firm's direct and indirect wealth management clients.

2018 was a difficult year for global investments, but nevertheless the newly merged and re-energised ASI managed to win large mandates across Asia.

For Hendry, operating in the vast Asia-Pacific region, where the firm has presence in 10 markets, people are the most critical single success factor for the business. Although the merger caused uncertainties, resulting in the loss of some high-quality team members and although market conditions have remained difficult, Hendry and ASI have been able to stabilise and then grow again, by adding and retaining top quality, motivated talent.

The firm has also evolved and diversified its product offerings. The merger has dramatically expanded the company's capabilities in both the realms of quantitative strategies and private assets. This has allowed the company to develop its discussions with new clients and build out its range of offerings for existing customers.

Looking ahead, Hendry and colleagues anticipate a continued challenging investment market and generally difficult asset management market conditions, but they know that to succeed and prosper they are on the right track to add even more value to their distributors, partners and clients.



HENDRY BEGAN BY summarising the implications of the merger for the expanded firm's current and potential clientele. "The most obvious positive impact for clients is the breadth of things we can do," he reports. "Aberdeen is well known as a very active emerging equities firm, especially for Southeast Asia and broader Asia-Pacific. And Standard Life has now brought in a wide array of opportunities within multi-asset and the private markets area, including private equity, infrastructure and real estate."

Additionally, he reports that the merged company now has a vast quantitative strategies business, whether smart beta, index or enhanced index, with some USD90 billion in that area. The firm is the first in the world to launch an active quant strategy with artificial intelligence as part of the investment process.

It was back in March 2017 that Standard Life reached an agreement to merge with Aberdeen Asset Management, in an all-share merger, to form Standard Life Aberdeen. Aberdeen Standard Investments then began its new life as its asset management brand in August that year.

A smorgasbord of opportunities

Much has been achieved since then, and Hendry quips that the firm's 'menu' is today already far more extensive than ever before. "If I might make an analogy, there are many more dishes to choose from now for our customers," he remarks, "whereas before we were more specialised in a lesser number of offerings."

Scale has also been boosted significantly. "We have greater flexibility to be more proactive and

Getting Personal

Hendry has deep roots in Asia, having been born in Mumbai, birthplace of his mother. His British father hails from the Yorkshire city of Sheffield, historically known for its steel and especially its fine cutlery. "My father was an expat in India working for the textile company Coats Viyella, straight out of Manchester University," he reports. "My mother was local, and they met while he lived there."

Hendry was educated at first in Mumbai, then at international school in Jakarta and then at secondary school in the UK, following which he attended St. Andrews University in Scotland, studying French and Economics.

His career began with the Capital Group, where he soon helped start their European distribution business, a career-high point relatively early on. His second high point was then starting his own business in 2009, Westoun Advisors.

"That led on to me opening the M&G Investments business in Asia Pacific," he recalls with some considerable pride. "We managed to grow that to USD5 billion in assets in a few short years. Aberdeen Standard is my current and very inspiring challenge."

Married less than two years ago and thus far children-free, Hendry has a somewhat unusual hobby in the form of woodworking. "I build cabinets, shelves, stools, anything out of wood," he explains. "We work in an intangible industry in the world of finance, and I love doing something tangible, working with real tools and materials. These are pretty substantial pieces I create, and we keep them for ourselves at home."

Another love is skiing in Switzerland at a preferred location in the village of Saanenmoser, which is better known as the rather glitzy Gstaad. But that is where his love of sports begins and ends. "I am not into sports in any shape or form, other than skiing, and even then, I never watch any sports on TV."

To use a woodworking analogy, Hendry has evidently carved out a fascinating niche for himself in the world of investments and has constructed a robust career structure. The door to an exciting future is open...



ANDREW HENDRY
Aberdeen Standard Investments

involved in what we are doing for clients,” he reports. “For example, if there is a wealth manager that wants to start having a strategic allocation to alternatives but has limited due diligence resources and on track record in manager selection, we can then offer them our hedge fund manager selection capability as well as create a bespoke vehicle to buy the basket of funds. In short, we can start using that whole range of products in a way that is unique to the asset owner’s challenge. That was far more difficult to do before because we didn’t have all the ingredients.”

A la carte and made-to-order

Hendry says the firm’s newly expanded ‘a la carte’ menu can also become off-the-carte. “We can have people coming in and ordering off the menu, requesting and receiving something specifically created for them,” he reports. “We now have the scale and resources as a result of the merger.”

The firm today boasts about 600 people in Asia Pacific, across all functions and operates from 10 developed and emerging markets in the region. Japan, Australia,

Korea, Taiwan, China, Hong Kong and Singapore are therefore complemented by the presence of Malaysia, Indonesia, and Thailand. “We have a nice mix and balance now,” Hendry remarks.

He turned to the critical elements for success, as he sees them. “Motivated, talented people are vital to this asset management business,” he explains, adding jokingly that he was somewhat lucky to have slipped through the net.

“But seriously,” he remarks, “the merger naturally created some uncertainty and that did cause some good people to leave. Moreover, that was compounded in part by the poor markets that began last year, as well as pres-

ures on asset management from margin compression, regulatory intensification and general complexity. However, on the flip side, we managed to also hire good people because they believe in our story.”

Telling the story

Hendry mined down further into the ‘story’ he alluded to. “Take our share price,” he observes. “As a bellwether, you can see it is very depressed, as are those of our peers. However, there are always peaks and troughs and looking through the ‘noise’ of the last couple of years, you can see we have an extensive range of world-class products and strategies. These strategies have helped

us raise tens of billions last year, globally and from all types of sophisticated clients. In short, we are winning, and we are looking ahead to realising the full rewards of our progress.”

Hendry then zoomed in on global market conditions. He noted that a remarkable decade in which the MSCI World index achieved over 10% annualised was followed by a challenging 2018 and a terrible final quarter of the year.

“To adapt the business,” he explains, “we believe we have to become much more professional today than we were years ago, and we are constantly improving in this regard. And concerning how we now help our distribu-

“To adapt the business, we believe we have to become much more professional today than we were years ago, and we are constantly improving in this regard.”

tors and partners with their own margin pressures, we can now offer supporting initiatives and add-on services. For example, we can share the technology with our Asian distributors that helped our European clients convert their wealth management books from transactional to fee-based accounts.”

Engaging discussions

Hendry also reports that the firm is dedicated to being far more effective in its engagement with private bankers and wealth managers in order to enhance the relationships and help them boost their business flows and capabilities.

“We must be sensitive to their

time and capacity," he says, "so that each time we engage with them, we achieve something that helps them either retain their clients or raise net new money."

The firm has many new initiatives designed to help enhance the firm-wide AUM and counter the volatility of the global equity market environment. For example, they launched a new Taiwan fund last summer following a specific discussion with a distributor.

Strategies for holding the fort

They acknowledged that the troubling market conditions looked set to continue and recommended a multi-asset fund with a large portion in private assets such as catastrophe bonds, aircraft leases and other listed alternative assets. "We launched it at USD140 million in the IPO," he reports, "and by year-end we had considerably exceeded all our expectations."

Hendry expands on this, by adding that a core mission for the merged firm was to use the new product breadth to avoid having maximum exposure to potential drawdowns should market conditions worsen, as indeed they did in the last quarter of 2018. "Products with sleeves of alternatives and multi-assets such as this Taiwan fund can help performance and retention. That is why we are rolling this concept out to other clients."

Risk aversion persists...

Looking beyond Chinese New Year into the Year of the Pig, Hendry says there are plenty of investors with money but greater aversion to risk. He mentioned opportunities such as the firm's Australian Dollar Income Bond Fund as viable options for such investors.

Key Priorities

"People, relevance and performance" is Hendry's answer when questioned about his priorities for the year ahead.

"I have 140 people in my team, and to be successful we need quality and motivation. I cannot go to 10 markets and handle 17 different selling channels myself. I need elite, talented and motivated people, that is my first priority."

The second priority is to remain, and become even more, relevant to clients. "For example," Hendry reports, "one of the things we are doing here in Singapore right now with distributors is talking to them about is adapting their approach for 2019 in light of the Q4 2018's drawdown, as everyone is fearful and wants to de-risk portfolios. Accordingly, we try to be relevant by sharing ideas that we believe will work in this Q1 and thereby helping them improve their KPIs."

And the third priority is to deliver performance, which Hendry defines as matching or exceeding the expectations of their clients' investment management agreements, or of the determined benchmarks. "At the end of the day," he observes, "numbers do speak, and we have to pump out the numbers."

"The Reserve Bank of Australia has come up very clearly and said that they are not going to be moving their rates anywhere, the same as their stance in 2018, so it is one of the few countries where there is no uncertainty about rates.

"Secondly, it is a roughly 4% income distribution, so depending on whether you might be US or Singapore dollar based when we include the hedge - which costs almost nothing - you can end up with another 100 basis points or more as the carry. It is ideal for those with cash and who are risk-averse."

Building the future from the past

Hendry closed the interview with a reiteration of the history and also the evolution of the firm. "The new entity of Aberdeen Standard Investments is a very different and a considerably more expansive proposition for our clients than we could offer before. We have a lot more offerings within private markets and the quantitative strategies than before. We have the same history of expertise and quality, but we are not the same organisation that people knew two years ago. It is an exciting prospect." ■