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Alexandre Bouchardy: determinedly marrying investor needs to market opportunities

Alexandre Bouchardy is Managing Director and Head of Credit Suisse Asset Management Singapore, as well as Head of fixed income and equity for Asset Management Asia. He recently met with Hubbis to elucidate his views on how Credit Suisse is matching the needs of investors to prevailing and anticipated financial market conditions.

Executive Summary

Alexandre Bouchardy heads up Credit Suisse Asset Management Singapore, as well as the fixed income and equity businesses for Asset Management Asia. When he met with Hubbis recently he explained how he remains positive about general global economic and financial market conditions, but how investors need to be more cautious and focused than in recent years in order to capture the opportunities arising from structural changes taking place, as well as valuation mismatches.

Fixed income has been a foundation of high-net-worth individual (HNWI) portfolios in recent years. More careful attention must now be given by investors to position themselves in the best credits, regions and the right currencies. Rising rates, contracting global liquidity and increasing volatility all increase risks, but they also open opportunities for investors to pounce when broader market disarray opens the door to value purchases.

Alexandre's team believes Asia remains an appealing region economically, structurally as well as in terms of its financial markets. The opening of China's onshore capital markets to foreign investment stands out as one of the great investment opportunities that only comes along once every decade or two.

Alexandre and his team are working hard to match investor needs to market exigencies with the goal of achieving diversification and create outperformance. To do so, Alexandre knows that he must retain his best talent and attract the best minds to the firm. He wants the team to be known for their long-term commitment to the clients, for solid performance, for consistency and for timely investment ideas and products.

ALEXANDRE IS GENERALLY optimistic about prevailing global economic conditions, especially for Asia, while he also keeps a watchful eye on the outlook for financial markets. Investors in Asia have fared especially well from fixed income in recent years. A key focus for Alexandre and his team is the ongoing tightening of dollar liquidity, which he notes is already impacting refinancing flows after many years of easy and therefore heavy dollar funding.

"With rising rates as well as tighter global liquidity," he explains, "funding costs are both more expensive and more restricting. While the current wave of refinancing is taking place in a positive economic environment, we have historically seen pressure building in such situations and that is what we see now, most visibly with countries such as Turkey."

The result, he explains, will be continuing volatility and more of the vulnerable borrowers exposed to default, with a more negative impact and sentiment for the emerging markets.

Seeking value amidst market volatility

"Nevertheless," he maintains, "this also represents an opportunity to search out those solid companies whose paper might suffer in sympathy with the general market and which as a result can offer attractive risk-adjusted returns. All in all, I am very optimistic about the opportunities that lie ahead right now."

He notes that there is some question as to whether the US market will continue to outperform and whether China's heavy bond issuance and borrowing will weigh down the Asian fixed income market. "We are likely to see a bit less Chinese paper and relatively

Key Priorities

Alexandre has set himself and his team three core priorities for the foreseeable future. "Priority number one," he says, "is to deliver performance at any point in time. The second priority is delivering a broader range of products and breadth of asset opportunities in a fast changing world. And our third priority is to extend the client range, by moving more into the institutional space."

Alexandre explains that the first and second of these priorities are all about identifying, and offering, the right products, by reference to the evolution of the markets from structural and valuation perspectives.

For example, he notes the ongoing positioning of investors in the Asian dollar bond market which at USD 800 billion in size offers the liquidity and new issuance volumes to appeal to a wide range of global institutional investors.

Another key structural development is the opening of the Chinese onshore financial markets, which Alexandre considers probably the biggest event since China accessing the World Trade Organisation in 2001.

"We want to ensure that we have the right products and ideas for our clients," he elucidates. "China is, therefore, a core focus, with a new onshore equity fund we launched via Stock Connect, which neatly complements the onshore fixed income fund we launched last year."

"We view the opportunity of the Chinese financial markets opening up as a tremendous opportunity for the next ten years and not every investor has fully understood that yet," he adds.

Accordingly, Credit Suisse wants to position investors in that market as early as possible, to invest onshore as opposed to offshore. As the domestic financial markets open in China, Alexandre notes that there are very attractive valuations on the fixed income and equity sides.

"Even if volatility is fairly high currently," he notes, "the percentages of foreign ownership of onshore paper is very low, for example about 2% in fixed income, so the room for growth of those holdings is huge. The early movers should rack up the highest benefits, hence we are very keen to be positioned early there."

"We hope to keep demonstrating that we have a good understanding of client needs, married to an astute appreciation of market trends and financial market outlook," he comments.

On the third priority, Alexandre notes that Credit Suisse – with a long and proven track record of outperformance – is now ideally positioned to win more institutional clients. "We have a solid track record here now and we are able to attract more institutional investors, to diversify our client base for the future," he explains.

more from the other countries in this region," he observes.

Alexandre, therefore, advises a moderate degree of caution but also for investors to keep a watchful eye for relative value opportunities. "We are no longer in a period of easy returns, investors must be more discerning and more careful in their selections," he says. "Rising rates means that some investment-grade paper might drop to high yield due to rating downgrades. However, we still believe in solid fundamentals so this all creates positive opportunities for smart investors."

Scale back on risk, consolidate towards quality

As a strategy, Alexandre recommends tapering back on high yield exposures and also moving to the shorter end of the maturity spectrum of two to three years. "And we suggest investors migrate more towards well-chosen investment grade and short dated high yield papers; in dollars, such paper is currently offering four to five per cent returns."

He also believes investors in the region should continue to focus on Asia risk rather than more broadly-based emerging market risk. Asia, he notes, continues to enjoy strong current account surpluses, powerful export momentum and high levels of financial reserves. Moreover, liquidity in the regional financial markets has expanded rapidly, for example, the Asian dollar bond market has surged to around USD 800 billion in outstanding issues compared with just USD 200 billion in 2010.

Asia remains solid

Additionally, he considers that investors should be buying Asian sovereigns in local currency paper, whereas corporate debt exposure should be bought in US dollars for liquidity and diversification purposes because local-currency Asian corporate debt is relatively less liquid and less accessible.

"This also represents an opportunity to search out those solid companies whose paper might suffer in sympathy with the general market and which as a result can offer attractive risk-adjusted returns."

In all cases, he believes investors should focus on buying through funds in order to secure institutional allocations from new issues, a high degree of credit monitoring and therefore indirectly end up holding a more balanced portfolio of fixed income holdings than they might be able to acquire directly.

Alexandre explains that he and his team remain determined to match investor needs to market conditions and launch or promote investments that neatly blend those two facets. "The timing of the funds we have launched in recent years demonstrates what can be achieved by closely understanding the needs of Asian investors and the market conditions," he says.

A short history of timeliness

For example, Alexandre recalls that Credit Suisse was in 2016 promoting the broadly diversified 3-year fixed maturity bond strategy, then offering a yield of 4% and raising more than USD 3.3 billion from investors within just a few months from its launch in April that year.

Another successful product around that time was the strategy focusing in Asia corporate bonds, which focused on growth of the corporate bond market in the region and was offered with anticipated yields of around five per cent.

Alexandre says Credit Suisse continues to recommend fixed maturity bond strategies as a star solution in the current environment. "With a relatively short time to maturity, people are sheltered in a rising interest rate environment and it remains broadly diversified, thereby reducing the risk of default." In this context, we recently decided to temporarily re-open a fixed maturity bond fund maturing in 2022 that was launched in September of last year. During the two-months re-opening period, the fund raised more than USD 670mn bringing the total assets of the fund to over USD 1.1 billion. Since the breakthrough launch of the first fixed maturity bond fund two years ago, Credit Suisse has positioned itself as a leading and innovative asset manager, raising a total of USD 7.8 billion across five fixed maturity funds.

Another star product Credit Suisse currently manages is an onshore China fixed income product launched about a year ago. It has an average rating of single-A, a three-year duration, and expected returns of 5.5% per annum.

Focusing on the future

Alexandre has set himself and his team several key priorities (see box: Alexandre's Three Priorities

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for Continued Success). Combined, these three core objectives make one combined mission, namely to service the firm's clients with the best, most timely and also broadly diversified investment products while expanding the firm's clientele to achieve the balance of an increasingly institutional base.

Finding and retaining the right team members is a continuing and long-term priority for Alexandre. "We have ten in the fixed income team and five in the equity team," he reports. "We continue to seek out the best talents for the business and we also focus on keeping our existing team members by espousing and maintaining a cooperative and collaborative team ethos."

Concluding the discussion, Alexandre sums up some of his goals for his Credit Suisse operation. "We want to be known for bringing innovative products to our clients, that is vital in a fast-changing world," he explains. "We want to deliver performance as well as the quality of service in good and in difficult markets. And we want to be known for our consistency and support of our clients for the longer-term, building on our existing relationships and forging new ones." ■

Getting Personal

Alexandre Bouchardy, Managing Director and Head of Credit Suisse Asset Management Singapore, was born in Geneva and studied at the Hautes Études Commerciales in Lausanne at The Faculty of Business and Economics, specialising in finance and economics and leaving with a Master's degree. He later also qualified as a CFA.

After a roughly decade-long career path with Credit Suisse in Switzerland, he moved to Asia in 2012, since when he has helped build what he calls a cohesive, stable and high performing team that has overseen a considerable expansion of the business. "We have enjoyed a great period of working with the clients and delivering interesting solutions and producing a strong performance as well," he reports.

Today, Alexandre's responsibilities are not only as head of Credit Suisse Asset Management Singapore but also as head of the APAC region for fixed-income and equities from Asset Management perspective.

His early career with Credit Suisse began in 2002 as an economist within the fixed income department. "Initially I had thought I would spend a few years with the bank and then move on, but I have enjoyed great opportunities and challenges at each step of the way, so I continue to enjoy the role and life out here in Asia as well."

As to that life in Asia, Alexandre is married with two young boys of 2½ years old and approaching one year. His passions include participating in sports such as tennis and golf, a sport in which he was a member of the Swiss team for more than 6 years. He also enjoys his time in the Swiss mountains, as well as out in nature in Australia.

His first experience of Asia was at the end of a six-month bicycle ride from Europe to China across Turkey and Central Asia. His favourite ancient site is Angkor Wat, Cambodia, which he considers the most fascinating and exciting place he has visited in Asia; he advises that the best time to visit is at sunrise.

Nowadays, with such a busy life at work and home, Alexandre has discovered meditation as a means of relaxing and clearing his mind.

"I firmly believe in the merits of meditation," he reports. "I have now gone on retreats as well as practising at home and find that it is helping me be a better person in many ways."

And he has also extended his enthusiasm for meditation to the team at Credit Suisse Asset Management Singapore, having introduced a meditation class with a teacher for those that want to join. "It definitely helps our team members keep focused and keep calm," he says.