

Allfunds Continues to Gear Up for Strong Growth Ahead in the Asian Wealth Management Market

Allfunds is today the world's largest institutional fund distribution network, describing itself as a global marketplace where fund groups can reach world-class financial institutions across more than 50 countries. Hubbis met up with David Perez de Albeniz, the Singapore-based Head of Asia for Allfunds, from his home there. He explained how Allfunds continues to develop its core platform and its premium services. And he highlighted how demand for the Allfunds outsourced, digital funds marketplace has been growing apace in recent years in Asia, driven by the demand for greater efficiency, by Allfunds' ability to filter best-in-class products, by the ease of use and access, and of course, the resultant cost reductions achieved for distributors, as well as revenue enhancement for fund creators.



"When you boil it all down, we are a mutual funds marketplace, and actually a remarkably simple business," Perez begins, "with a simple and clear strategy to build scale and capabilities for ourselves and our customers."

Today, he reports that Allfunds offers the largest funds distribution platform worldwide for mutual funds and ETFs, with over EUR600 billion of assets under administration, and access to 1,680 fund providers, 180,000 funds and agreements in place with over 687 distributors. In 2019, Allfunds processed some 10 million trades, all automatically and with no manual intervention.

He explains that Allfunds' USP is essentially derived from helping financial institutions the world over to scale up their business without increasing their infrastructure and costs. "With its open architecture," he says, "the Allfunds platform does not favour any funds or any providers; instead we target best of breed solutions for end-customers and delivered at a lower cost and considerably greater ease and speed. And of course, Allfunds is entirely independent with no proprietary funds and no conflict of interests."

STREAMLINING THE BEST

Perez explains that wealth managers have been spending much of their time working out how to add value to their clients, and to do that they need to access and provide the best products in the timeliest manner. They are often impeded, once having selected a fund, by know-your-client (KYC), by due diligence requirements and so forth coming from the selected

Fund House. Those factors cause delays, create client frustration and generally cause a lack of immediacy and responsiveness.

with each and every transfer agent, they do not want to "suffer" the due diligence by each fund manager every year."

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"That really complicates the distribution channel, and let's not forget that, in today's world, everything revolves around cost," he observed. "And that is where Allfunds also adds value, as digitisation is not only front office, it is about trying to streamline your middle and back office, and that is where we play an important role, to make things efficient so that tomorrow when you want to leapfrog, you want to increase your operations, your services, then you don't have that bottleneck or a traffic jam that might impede growth. We remove many of these headaches by connecting the service providers, fund managers and financial institutions electronically, and without the need for multiple due diligence and operational steps."

SIMPLIFICATION THROUGHOUT

And the platform also provides the latest data and information the relationship managers (RMs) need to be most effective. "Wealth management advisors clearly do not want to go to the website of each and every local or global fund manager to get information," he comments, "and banks do not want to be opening an account

Importantly, Perez also notes that the platform operates within the bounds of the regulatory framework of each country so that clients can be assured that all activities comply with their local and international regulations.

Finally, there are for Allfunds' customers' four different levels of connectivity. The simplest is plug and play, where Allfunds' clients are given access to the website on which they can go ahead and start trading, once the accounts with the fund managers are opened for them. Then there are three other higher levels of integration and sophistication available for clients, including the very highly demanded APIs.

Perez also explains that Allfunds had recently added a layer of digital services where the firm designs and hosts websites for its clients, or uses its suite of APIs to enrich their own ecosystems. "This," he reports, "encompasses all the trading activity and of course all the information activity, including the most advanced digital tools for reporting and portfolio management."

EFFICIENCY, EASE AND COST

Perez mines down into the core rationale for a client, a local or



DAVID PEREZ DE ALBENIZ

Allfunds

regional Asian private bank, for example, to work with Allfunds. "They achieve efficiency, ease of use and reduced cost, in a nutshell," he reports.

He offers greater insight on each of these elements. "As to efficiency, a private bank going it alone would have to spend vast amounts of time and money to sign numerous individual distribution agreements with the fund managers, whereas we already have agreements with over 900 fund managers which encompass over 90,000 ISIN codes globally."

As to ease of use, a private bank would then have to allocate significant resources in the middle and back offices to maintain all that activity, from the account opening to the fact sheets on products, transaction notifications, updates on asset performance, and the whole payments and settlement process. And for each different fund manager, meaning an enormous administrative burden. "However, we provide one single point of access where all of these things take place seamlessly in

Getting Personal with David Perez de Albeniz

Perez hails from the majestic city of Madrid, where he was educated through to university, when he studied Mathematics at The Autonomous University of Madrid, followed by a Masters in Finance, also in Spain, which he completed in 1999. While enjoying his career, he has continued to study, completing another Masters in Financial Risk Management in 2006 and even after rising high through the ranks at Allfunds, which he joined in 2006, he even completed an MBA at the Singapore arm of the Paris-based business school INSEAD.

His early career in financial markets was on a trading/prop desk for one of the major banks in Spain. "I put together all sorts of math-based strategies to beat the markets," he recalls, "and that was probably one of the happiest moments of my life in that job. Then I moved on to an IFA platform where I would sell alternative products and then had the good fortune to join Allfunds, where I started as a fund analyst, moved on to the portfolio advisory side and finally into sales."

Married with three children aged 16, 12 and 10, the whole family is in lockdown in Singapore. In more normalised times, Perez enjoys all kinds of sports, from soccer to skiing in Nagano, Japan, from climbing to tennis. Leisure time might be spent helping fund and organise the Iberians, a social football team in Singapore. "I am like a somewhat poorer version of the Medicis," he jokes, "just putting the money in and letting the youngsters go play."

a homogenous model," Perez elucidates. "There is only one counterpart for payment, for trading, for the information, for data for compliance and so forth."

The cost reduction enjoyed by these distributors just by taking into the account those activities is significant in terms of FTEs, allowing them to use their workforce for more productive activities.

These advantages also, of course, extend to the fund managers

themselves. Perez elaborates on this. "Instead of adding a layer of cost to these institutions," he reports, "the Allfunds model results in enhanced fund sales through the distributors. Why? Because for the distributor clients, mutual funds are suddenly much more attractive than alternative products, whatever those might be, because it costs a lot less for them to deal with these funds, ergo they make more money out of them."

A COMPELLING PROPOSITION

The result, Perez states, is unequivocal. "Data demonstrates that in the mid- to long-run in every market in which we operate, the AUM growth accelerates, and fund managers realise that their revenues rise as a result of the relationship. The formula is that they have a slightly smaller take from a far larger pie, the net result of which is a considerable improvement for them."

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ASIA: HIGH PRIORITY

Although Allfunds started sales in Asia only in 2017, the firm has already garnered a significant volume of what the firm terms assets under servicing. The growth has been so dynamic, the firm's leaders maintain, because wealth management firms in the region in recent years have been at such a positive inflection point in terms of their development and therefore often seek out the outsourced value proposition that Allfunds offers.

Further propelling the Asian proposition and coverage, in April this year Allfunds announced the opening of a new office in Hong Kong, following the granting of Type 1 and 4 licenses by the Securities & Futures Commission of Hong Kong.

BUILDING BLOCKS

"We are intent on building on the success of our operations in Southeast Asia," Perez explains, "where Allfunds by April was servicing circa USD20 billion,

and this move comes after we had already expanded our distributors' network to over 30 firms. The mission is now to attain a similar achievement in Hong Kong, a significantly larger market in the fund distribution arena, and now our North Asia hub."

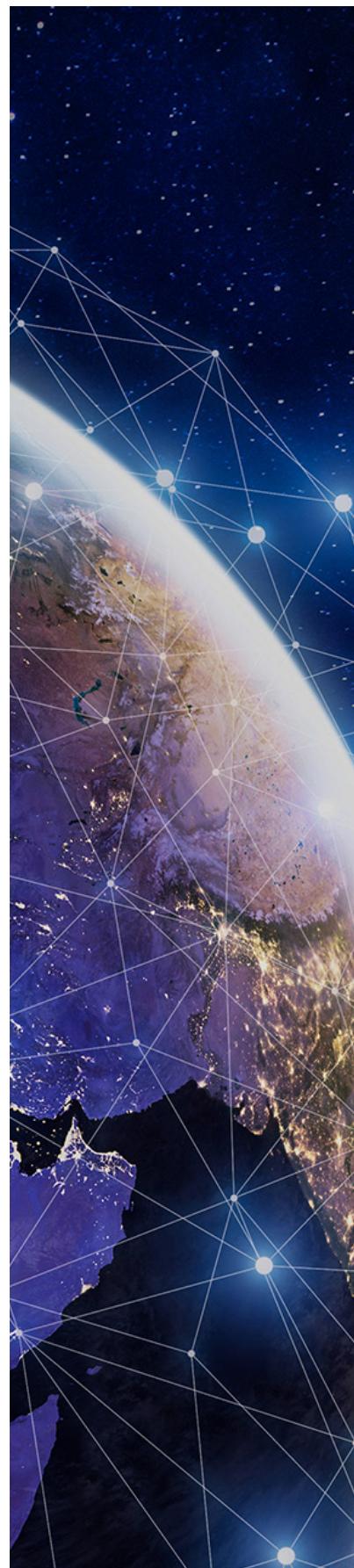
GREAT POTENTIAL

Perez comments: "We continue to see Asian markets offering great growth potential in the mutual

fund space and we look forward to broadening our ecosystem with new distributors and fund managers coming from North Asia. With on the ground support in both Singapore and Hong Kong, Allfunds will strengthen its dominant position and will be better equipped to service pan-regional players."

Perez reports that Asia is a natural for Allfunds, given the firm's success in Europe and Latin America. "With Asia being the growth engine for all of the fund managers which we deal with, we clearly want to be in a huge market where there is a rising allocation of ever more private and institutional wealth into mutual funds," he explains. "Our goal is to be present everywhere, and for us, Asia represented massive untapped potential. We brought the right product at the right time."

Allfunds also offers an expedited resolution to some issues found in Asia outside the major financial centres, for example, in Thailand,



where custodians demand additional due diligence on the distributors due to fiduciary requirements.

"We offer an advantage," Perez reports, "because Allfunds operates in recognised major jurisdictions such as Singapore, Luxembourg or London, so the custodians derive their comfort from dealing with us as an institution in these established financial centres, deemed to be fully safe and compliant jurisdictions. And for the distributors themselves in those non-mainstream financial markets, they thereby solve their issues simply and cost-effectively."

M&A AS A CATALYST

Perez then shifts his focus from the model to M&A activity, highlighting three significant purchases in recent years.

The first was a FinTech company named Finametrix, a Spanish business by origin that Allfunds bought as it can now offer both distributors as well as fund managers the design and hosting

of websites for them, aligned with apps. "What this achieves," he reports, "is it gets them closer to their end-clients."

Another purchase was of Credit Suisse InvestLab, the third-party fund platform of Credit Suisse, which not only boosted market share in Switzerland with a major global client but also "reinforced the relationship with the major fund groups across the world" Perez explains.

And the third key deal was the funds business of BP2S, still pending Regulatory approval, by which "we will gain market presence in key jurisdictions including France and Germany, as well as reinforce our dominant position in Italy, or operations in places such as Poland."

THE ENDGAME

The endgame for Allfunds, Perez reports, is to become a full provider of execution and custody services in the mutual fund arena and enrich it with the best distribution agreements in the

world with fund managers and a top-notch digital offering.

"By unbundling execution and custody from the distribution agreements we'll have the ability to provide top services to the whole spectrum of asset owners, from banks and insurance companies to sovereign wealth funds and pension funds," Perez explains.

READY FOR THE FUTURE

Perez closes the discussion on a note of optimism about the business in a post-pandemic environment. "When major shocks come about, as we saw in the global financial crisis, the outsourcing of solutions becomes higher priority. And this time around, we have seen an acceleration of financial institutions reaching out and wanting to speed up conversations and contract signatures, because they are under pressure. As the world emerges from this pandemic, as we hope and believe it will before long, Allfunds is, therefore, well-positioned to emerge even stronger than before." ■



Perez highlights two key priorities

Asia

Focusing first on Asia, Perez reports that Allfunds has selected Singapore, Thailand and Hong Kong as key priorities. "We want to become a permanent player in Thailand by servicing the biggest mutual fund providers as well as the biggest distributors as that market develops. The new office in Hong Kong is a natural step, as it is the largest in the region in terms of mutual funds. And Singapore is a natural as it is such a prominent and growing wealth management hub. Further out, Taiwan and Australia also beckon as significant opportunities for us."

He expands on the Hong Kong office, which will also serve as a bridgehead Greater China and North Asia. "We always strive to be near our clients," he reports, "in their time zone, working in their languages, connecting with them constantly. That is essential for building the relationships that drive our business. And through Hong Kong, we can also develop our relationships with the Chinese banking institutions as part of the longer-term mission to seek out opportunities that may arise in the China market."

Allfunds Connect

The second core priority is Allfunds Connect, a premium model for additional fees on top of the basic Allfunds platform.

Perez explains that with Allfunds Connect, customers can use enhanced and unique screening tools to search and select from the more than 180,000 funds, they can analyse sales and market flows at any time, from anywhere, based on Allfunds' trading information. They can also build sophisticated model client portfolios to meet each client and advisor's goals; they can then analyse and monitor clients' and institutions' portfolios, as well as re-balance dynamically. And all while alleviating their compliance burden with a central hub of regulatory value-added data and tools for all the funds.

"Allfunds Connect delivers fund data, reporting, analytics and management tools within a single platform," Perez reports. "It is where everything and everybody meets. We have many fund managers signing up directly on Connect, uploading their funds, uploading the agreements because Connect makes enrolling with Allfunds such a seamless journey for fund managers."

He further explains that in Asia, Allfunds had been promoting only its execution and custody services with the distribution agreement on top, but Connect represents the next step. "All the intelligence that our analysts are putting in their research is encompassed within Connect, allowing fund managers to analyse their position relative to peers, and then hone their offerings to gaps and opportunities available."

He adds that Allfunds later aspires to offer the same experience to distributors. "For now," he reports, "the distributors can go into Connect and find all the data that they might need in order to research funds and to showcase funds to their end customers. There are also modules of bespoke reporting, DIY elements where they can build their own reports and features relating to the industrialisation of DPM, where we effectively help providers evolve into advisory relationships with their clients or DPM, and in the lower categories of wealth, not just the very wealthy."