

# Asian asset manager eyes European build-out

*Boosting the range of UCITS funds as well as alternative capabilities are key priorities this year, says Jung-Ho Rhee of Mirae Asset Global Investments (Hong Kong).*

After establishing a firm foothold in Asia, Mirae Asset Global Investments (Hong Kong) will continue to focus on building up its international distribution (UCITS) business this year, according to chief executive officer and president Jung-Ho Rhee.

“We are keen to develop a bond and income range of funds for the UCITS platform,” he says. Five years ago, the fund house launched the Mirae Asset Global Emerging Opportunities Bond fund, which met with considerable success as it was on-boarded at several banks’ platforms.

The primary objective of the Luxembourg domiciled SICAV is to achieve income and capital appreciation by investing in emerging markets local and external debt, as well as developed market securities of issuers that have operations in Asia, Central/Eastern Europe and Latin America. With about USD95 million in AUM, the fund is

performing quite well, according to Rhee. The plan now is to launch a suite of bond and income products. “This month, we plan to launch an Asian bond fund,” he says.

Overall, the asset manager has two flagship strategies – the Mirae Asset Asia Great Consumer Equity and the Asia Sector Leader Equity.

Rhee says even the Asia Great Consumer strategy has been doing well, and has been on-boarded by global private banks in Europe.

In recent years, European investors have been looking at Asia with positive interest, even as low interest rates and low growth in other markets dampen investment appetite elsewhere.

As part of the continuing build-out of its business, Mirae Asset also plans to hire sales personnel both in Asia and in Europe.



**JUNG-HO RHEE**  
Mirae Asset Global Investments

## ASIAN STRENGTH

Within Asia, the Korea-headquartered asset manager has already made big strides in the more mature markets of

Hong Kong, Taiwan and Australia. It has also made good progress in India, even as many other global asset managers have retreated from the growing but challenging market. The AUM of the asset manager's India domiciled funds, managed by the India unit, reached USD1.1 billion at the end of February.

The fund house was in the local news recently after Gopal Agrawal, chief investment officer and chief strategist, decided to step down and leave the fund house on March 31. However, Rhee says a smooth transition has already been ensured. "The fund house's investment team in India will continue to be led by Neelesh Surana – CIO equity and Mahendra Jajoo, head – fixed income."

Surana has been associated with Mirae Asset since 2008, managing all the flagship products – Mirae Asset India Opportunities Fund, Mirae Asset Emerging Bluechip Fund, Mirae Asset Prudence Fund and Mirae Asset Tax Saver Fund.

Jajoo, meanwhile, joined the group in August 2016 and is expected to play an instrumental role in driving fixed income growth for the asset manager.

Apart from India, China is another market Mirae Asset is keen to penetrate. "Our China capability has been building over the past 10 years," notes Rhee. "We have become the first foreign manager to have successfully converted an advisory wholly foreign owned enterprise license in China into one that allows carrying out investment management related activities."

China, according to Rhee, represents huge potential, although it's still early days for local investors to think about investing overseas. "Right now, their

idea of overseas investment is Hong Kong and H-shares. I would also say that while China has some top-notch institutional investors, at the wholesale level, it lags global peers."

While there is a lot of work that remains to be done in the medium term, Rhee says the group is excited about the long-term prospects of the mainland market. "There is huge room for managers to provide appropriate investment solutions," he adds.

#### ACTIVE VERSUS PASSIVE

One big industry trend that has affected all asset managers is the rise in passive products, which have challenged active managers on both fees and performance.

Unlike other managers that are purely active, Mirae Asset, while predominantly an active manager, has ETF products as well. The key to ensuring active fund growth, while not compromising on passive growth, he says is to ensure clearly differentiated products.

"We differentiate ourselves as a bottom-up, research driven, non-benchmark hugging asset manager. We have always believed that following the benchmark is not a good way to generate alpha," he explains. "To really succeed as an active manager, you need to have a concentrated, truly bottom-up and long-term approach; otherwise, it becomes very hard to compete with passive products."

Indeed, even on the passive funds business, the focus is on offering differentiated, unique products. Earlier this month, the fund house announced the listing of four leveraged and inverse (L&I) products on the Hong Kong Exchanges and Clearing Limited tracking

the Hang Seng Index and the Hang Seng China Enterprises Index.

"We have seen keen interest in Hong Kong, especially among retail investors, to capture both upside and downside momentum of HSI and HSCEI. Mirae Asset is excited to issue liquid and transparent local L&I products to cater for investors' demand," says Rhee.

It is currently the only investment group offering L&I ETF products in four stock exchanges globally, namely Korea, Canada, Australia and Hong Kong. At the end of February 2017, the global ETF team of Mirae Asset managed approximately USD13.6 billion, offering 217 ETFs in six countries under three ETF brands, including 'Horizons' in the US, Canada, Colombia, Hong Kong, 'Tiger' in Korea, and 'BetaShares' in Australia.

Given the increasing demand for alternatives from wealthy clients in Asia, there are plans also to boost its alternative investments business. "We have an ongoing long-term commitment to expand into niche asset classes," says Rhee. Mirae Asset's alternatives investment division focuses on hedge funds, private equity, real estate and infrastructure investments.

"We are looking at introducing an Asia-based absolute returns strategy, which will be a UCITs version of a Cayman Islands long-short fund that already exists," says Rhee.

It is also considering launching property and private equity funds, which are likely to have a SIF (specialised investment fund) or RAIF (reserved alternative investment fund) structure. At the end of January, AUM for Mirae Asset totalled USD95 billion. ■