

Driving a longer-term investment mind-set

For fund houses like BlackRock, where it can add most value to distributors across the wealth spectrum in Asia, is via the quality of its investment content to foster ever-more consistent advisory models and processes, says Damien Mooney.

How to facilitate better investment decision-making and a higher quality of advice is front-and-centre in what asset management firms in Asia are trying to bring to their distribution partners.

Efforts within many retail and private banks to grow their managed solutions and discretionary businesses have so far been met with mixed – but generally quite limited – success.

However, while this type of AUM has been slow to follow, there has been an improvement, in general, in the investment and advisory processes in terms of how they try to deliver advice and guidance to clients.

This is according to Damien Mooney, head of BlackRock's retail and wealth advisory business in Asia Pacific.

"Most of our global and regional partners refer to their chief investment officers, asset allocation committees

and house views, to translate these in terms of the advice their front-line advisers provide."

From his perspective, the quality and consistency of those advisory models are improving all the time.

INSTITUTIONALISING SUPPORT

Mooney sees the role of asset managers such as BlackRock as being to ensure it provides the necessary investment content to support the delivery of investment advice of the firm's distribution partners.

"We want to position ourselves as strategic thought-leadership partners, where the banks can come to BlackRock for guidance and participation in the formulation of their investment views."

If this stage is done well, then the task becomes working with the bank to map the right products to offer their customers in alignment with the advice given.



DAMIEN MOONEY
BlackRock

"This has resulted in the semi-institutionalisation of applied investment views, inside retail and wealth organisations" says Mooney.

OLD HABITS DIE HARD

Across Asia in general, however, the success stories in achieving this to date have been relatively few and far between.

One of the ongoing issues in the region remains the slow take-up by end-investors of the concepts of proper asset allocation and diversification. As a result, a measured view of the management of portfolios tends to be lacking.

“The industry continues to face the challenge that there is too much of a transactional approach to investing,” confirms Mooney.

It is no surprise that short-term mindsets and the subsequent higher turnover of securities in portfolios holds back the potential for greater penetration of managed products. “This gets partly driven by client demand, but market participants sometimes encourage it also,” says Mooney. “We don’t see enough of the true portfolio approach being followed with end-clients, despite the best intentions of our distribution partners. We would prefer there to be more of a sustainable advice market developed in Asia.”

COMMUNICATING PROPERLY

At the same time, the focus on improving the investment business in this way relies on there being higher levels of transparency, plus better-quality information for end-investors.

“The more informed they are, the better decisions they will make,” says Mooney.

It is incumbent on the asset management industry, therefore, to play a key role in providing the right information to distributors, based on how they and their clients want to consume it. “Content and education needs to be

more accessible and engaging,” he adds, “to improve the quality of their experience as they look to invest.”

It isn’t just about education for the sake of it; the delivery of the investment information matters more and more, it seems. And product providers need to act with the end-investor in mind.

FOUR PILLARS

In line with the evolving needs of the retail and private wealth segments in Asia, BlackRock’s strategy for 2016 rests

“Content and education needs to be more accessible and engaging, to improve the quality of [investors’] experience.”

on four key pillars: mutual funds; ETFs; alternatives, in both liquid and illiquid form; and portfolio services. “We continue to work on how to bring all of our capabilities to bear with clients across the retail and private banking platforms in Asia Pacific,” explains Mooney.

One key objective the firm has in delivering all these capabilities, is to capitalise on the increasing use of index funds and ETFs across Asia by combining them with active investment strategies – and packaging it into solutions based on model portfolios.

The signs suggest this is an effective way to help distributors achieve their goal in terms of how they ideally want to manage client assets. For example, Mooney says there has already been a steady take-up of ETFs within private banks, especially for their discretionary portfolio management teams.

In the alternatives space, his goal is for BlackRock to become a provider of choice for the private banks in the region when it comes to liquid and illiquid products. “Many of these institutions have a stated ambition to increase the percentage of alternatives in portfolios, to help build a more diversified exposure, both globally and for Asia.”

GOING LOCAL

Geographically, the world’s largest asset manager separates its approach depending on whether it is looking at the

retail or private wealth segments. One of its priorities going forward is to become more of an onshore player in each of Taiwan, Hong Kong and China.

The latter presents various hurdles for foreign asset managers in how to build long-term relationships in the mainland. But they cannot ignore the scale of the opportunity in the local market, across the retail and HNW worth segments.

“In China, we intend to expand and deepen our relationships with existing clients and more expansively with local wealth managers,” says Mooney.

But beyond the various programmes in China driven by the reform agenda, there is a need to look towards new channels of distribution, he adds, explaining that these may be online or via locally-based wealth management and third-party fund distributors. ■