

Finding a niche in Asian asset management

Carol Wong of Old Mutual Global Investors (OMGI) explains what it takes to become a preferred product provider in Asia, especially at a time when the industry needs to stop churning out 'me too' products.

In markets such as Hong Kong and Singapore, which are teeming with fund houses, the key challenge for an asset management firm is to identify its niche and become one of the best in that space.

"If you look at the product offerings in Hong Kong, so many of them overlap," says Carol Wong, managing director at OMGI in Asia Pacific. "Some of them might outperform over one year, or three years, but if you are a long-term investor, I don't think it makes a huge difference because these funds are similar in general."

The big challenge for providers is coming up with funds that embody good ideas. "Currently, even big fund houses with more than 200 products continue to churn out new products."

"But the key to success is having a product with the right features at the right time," explains Wong.

CHANGING LANDSCAPE

Tighter regulations are also making the operating environment difficult for firms like OMGI.

"We have to ensure clients understand exactly how we derive returns and what the risk parameters are," she says. "The investment horizon has to match the risk/return requirement, even though most of the time investors themselves don't know what they are looking for."

It is understandably challenging to match these requirements. In the end, it all comes down to education, adds Wong, based on answering some key questions at the outset.

"On one hand, can clients understand the investment product? And on the other, do front-line staff know if they are selling to the right clients?" she says.

"This adds a layer of effort for both fund houses and distributors."



CAROL WONG
Old Mutual Global Investors

Meanwhile, large wealth management firms such as private banks are starting to downsize their product platforms and reduce the number of third-party

relationships. The aim is to focus on those which bring the most benefits to both sides.

This makes the competition to be the chosen product partner more intense, but Wong believes it's a healthy development. "By increasing penetration with a particular distributor or partner, a fund house will eventually understand the clientele better and offer more relevant solutions."

But it also means product providers have to work that much harder to become a preferred partner.

"Asia is the fastest-growing market in the world and mutual fund penetration is still very low compared with Europe, the US, Japan or Australia," explains Wong. "So there is much room for growth."

In addition, Singapore, where the firm recently opened an office, is a hub for offshore assets, and the growth is faster than that in Switzerland, she adds.

OMGI's focus on Asia over the past three years has resulted in what Wong describes as a continuous increase in AUM, as well as net new flows.

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"You need to have a smart product at the right time. Then, apart from performance, the kind of interactions you have with RMs or gatekeepers is also crucial," says Wong. "They need to see you as really providing value-add."

Finally, the after-sales service is critical. "If you can provide the right type of services, be forthright about explaining under-performance and honest enough to tell them when they should or should not enter a fund or market, your credibility improves as an asset manager."

ASIA CALLING

Despite these challenges, Asia remains a key growth region for OMGI.

From having no distribution agreements with any global financial institutions in the region at the end of 2013, the asset manager now has more than 10 GFIs on the list, including firms like Citi Private Bank, UBS Wealth Management and Deutsche Bank.

Contributing to that success has been one of its flagship funds, a liquid alternatives strategy.

"It's a market neutral fund and helped us open a lot of doors with GFIs," explains Wong. "Given market uncertainties, distributors appreciate a fund that is not correlated with traditional asset classes such as bonds and equities, but

Plans for 2017

After opening its Singapore office in 2016, OMGI's priorities for 2017 include bulking up operations in more local markets in the region, such as Thailand and Malaysia.

China is another big opportunity for the firm to tap. The fund house recently hired Richard Mo, the former head of the China retail business at JP Morgan Asset Management, to expand operations in the mainland.

Another goal is expanding distribution channels to include more retail insurance companies and family offices. Enhancing the product offering for Asian investors is also on the cards.

offers a generally consistent rate of return with low volatility."

Although the strategy to date has deliberately targeted private banks, next on the list are the insurance companies, retail banks and institutions such as pension funds, endowments and sovereign wealth funds.

Retail banks might take a little longer to penetrate, however, given the need for funds to be locally registered. But OMGI's range of Hong Kong-registered funds gives it a good starting point.

With insurance companies, meanwhile, the conversations Wong and her team are having go beyond just investment-linked funds to include the proprietary money. ■