How to facilitate a greater funds take-up in Asia

Asset managers need to do more to create products and sales tools that help investors in Asia see the value in longer term investing via funds, says Carol Wong of Old Mutual Global Investors (OMGI).

The real challenge with providing investment advice in Asia stems from the fact that more often than not these clients don't know what they want.

Their desire for high returns yet as little risk as possible is a redundant concept. Plus, it doesn't dot all the 'i's nor cross all the 't's. This makes it increasingly important for their advisers to ask more probing questions about their clients' needs – and listen to what they say.

"An effective salesperson must understand what clients want plus be technically sound when it comes to markets."

Indeed, advice in wealth management should be simple, says Carol Wong, managing director at OMGI in Asia Pacific. "It is about looking at the needs of the client and then suggesting what is really suitable for them."

"This comes from knowing the needs of their family and them as an individual, in the short-term as well as over the long term."

The complicating factor often comes from the individual giving the advice.

In Wong's opinion, an effective salesperson – whether working for an asset manager or within an advisory firm – must understand what clients want plus be technically sound when it comes to the markets.

CAROL WONG
Old Mutual Global Investors

BUILDING DEEPER RELATIONSHIPS

The reality of dealing with Asian investors, however, is that they are typically focused on individual transactions for short-term gains. With advisers often benchmarked against weekly or monthly sales targets, this leads to a churning of funds, for example, without really considering the overall financial objectives of that client.

This mentality is often cited by asset and wealth managers as the cause of the limited penetration of funds among individual investors in the region.

Wong also attributes this to the fact that clients are not as aware of the benefits of investing in funds as their counterparts in Europe and the US.

Compounding this problem is the relatively little time advisers spend on education in this area – motivated instead by the commissions they get from trading.

The homogeneity in the marketing and communications done by asset and wealth managers must also bear some of the blame.

PREPARING FOR VOLATILITY

In addition to changes required in the approach to how advisers sell funds, the market would benefit from more products which meet the appetite of investors at a particular point in time.

For example, many Chinese clients tend to buy funds which are in vogue and pay the highest dividends at the time. What Wong would prefer to see, is the industry offering more market neutral, low volatility alternative funds.

This type of approach would augur well for investors in 2016, according to Wong. She predicts that with continued market volatility, funds that offer steadier rates of return, irrespective of market movements, will be most successful.

With this in mind, the market-neutral feature of her firm's Global Equity Absolute Return Fund might gain more traction as an alternative to a bond or equity in an already volatile environment, she explains.

"The purpose of this fund is to produce a stable and predictable income return with a low correlation to the market," she says. With a volatility of only around 4% to 5%, investors will have more peace of mind.

"The market would benefit from products which meet the appetite of investors at a particular point in time."

It is this type of approach which has led to OMGI's success with many of the leading private banks across Hong Kong and Singapore over the past 12 to 18 months – in line with the asset manager's strategy in the region.

OMGI's backing by the trustworthy brand of the Old Mutual Group, which manages more than USD500 billion in assets, has helped give comfort to these distributors. As have some of the senior hires it has made since mid-2014 to base experienced portfolio managers in the region for the first time.

To build on this, the firm has also increased its product offering available locally. The USD150 million Old Mutual Europe (ex UK) Smaller Companies Fund and the USD292 million Old Mutual North American Equity Fund were authorised in September 2015 for distribution to the public in Hong Kong. "We plan to differentiate ourselves by being a 'best in class' investment house and add quality funds to maintain that positioning," said Wong at the time.

OMGI is now awaiting similar approvals, for six funds, in Singapore.

In recent months, where suitable for the specific fund, the firm has also turned its attention to new distribution channels. Wong says OMGI wants to increasingly sell its product through insurers. While these companies tend to be more selective about what they offer, they invest on a longer term basis.

BETTER COMMUNICATION

A key objective for firms like OMGI continues to be getting these messages out to the broader market.

For Wong, this is where the digital revolution can play a role. She believes it offers an efficient method to communicate with distributors and end-clients. However, it could be used more effectively if firms have a clearer strategy for how they use and analyse the data they already have to create more targeted communications.

Part of the problem arises when the content is unfiltered, flooding investors with too much information. Resolving this would support efforts by various intermediaries to educate clients. "They have a duty to scan the right pieces of information for the right clients." ■