Leveraging an enviable track record

Christian Leger of Capital Group says the firm is using its scale to achieve its growth ambitions in Asia and create a much more enticing and streamlined product range – to be aligned with the approach that distributors are taking.

Capital Group, one of the world's largest and most experienced investment managers, believes that its scale is a key differentiator in its success going forward, given the structural changes in the market.

"One of the things we can do today thanks to technology, which we weren't able to do 10 years ago, is to take the most successful strategies we run anywhere in the world and replicate them within another vehicle, elsewhere in the world," explains Christian Leger, business development director of Capital Group.

For example, the firm can take one of its US domiciled funds, New Perspective Fund, which has been around for 44 years with impressive returns, and replicate it into a UCITS fund that can be registered in Hong Kong for distribution. Being able to leverage 40 years of success is not something which is easy to copy, says Leger. "This is something we are going to systematically do across our entire product range, including equities, multi-asset and fixed income," he

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CHRISTIAN LEGER
Capital Group

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adds. "Expect to see more news from us on all three fronts."

The second aspect of the offering that Leger is excited about bringing to the region is what he calls alignment. This is rooted in focusing tremendous amount of time and resources on understanding how to best work with partners.

This is key, he explains, given the consolidation trend among distributors. "We see that some of the large financial intermediaries are simplifying their offerings."

As that happens, Capital Group looks at the synergies it can find with the same distribution partner across its offices in locations such as Zurich, Frankfurt, Singapore, Hong Kong and London, as the partner rationalises its global product offerings and makes the remaining products more globally relevant.

This is then supported by Capital Group's sales and marketing people in the various regions.

EYES ON ASIA

Asia is clearly important to the firm, judging by the fact that it now has more than 270 associates based in six offices across multiple functions including investments, trading, marketing and sales. The company has around 80 people based in Hong Kong.

This is based on the importance that Leger says he has seen in terms of funds as a growing percentage of the book of business within wealth management firms. "Admittedly, while the fund distribution landscape has come off a low base, the absolute number is huge and growing," he adds. Plus, when looking at the global wealth book of these distributors, Asia has consistently shown the largest growth in terms of net new money, AUM and contribution to revenue.

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Leger also believes there is an increasingly receptive audience to the way Capital Group manages money and invests with the long term in mind.

"We pay our investment professionals by incentivising them over one, three, five and eight-year rolling time periods," he explains. This is aligned with the growing sub-group of clients that are interested in putting their money into long-term investment solutions.

"No matter which distributor you look at, it's a strategic priority for them to grow that long-term bucket," says Leger.

As an industry, there is a need to focus on recurring revenue. "We need to find ways to work against churning, and against things that are short term and costly for the end-investor."

This all lends itself to Capital Group's ambition to develop a much more global distribution presence.

"It's a natural outcome of what we do," he adds. "We can't really build the global distribution business in Europe and not in Asia, and vice versa.

TARGETED GROWTH

Leger says that demonstrating success with existing distribution partners is a priority for the next 12 months. These include some of the largest firms in Hong Kong – for example, the partnership with HSBC on the retail and wealth management side of the business. In addition to the retail channel in Hong Kong, Leger wants to develop the firm's offering with insurance companies, and also with private banks. ■

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