

Mercer Asia - Building out the Institutional and Private Wealth Business

Janet Li is Wealth Business Leader for Asia at Mercer, which is one of the very largest advisory and service providers to the global institutional investment industry, with its clients handling more than USD15 trillion of assets under advisement. Remarkably, Li finds time to play with her three children, aged between three and 10, as well as handling the hefty responsibilities of her prominent leadership role and volunteering with industry groups. She met with Hubbis to offer her invaluable insights into the evolution of wealth management in this region, to define Mercer's position in Asia, and to highlight how she has never felt held back by being a female, despite being more of a rarity during her early career.

A **BOUT MERCER**
Mercer delivers advice and technology-driven solutions that help organisations meet the health, wealth and career needs of a changing workforce. Mercer's more than 25,000 employees are based in 44 countries and the firm operates in over 130 countries. Mercer is a business of Marsh & McLennan Companies (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people with 76,000 colleagues and annualised revenue approaching USD17 billion.

Mercer is the world's largest institutional investment advisor with more than USD15 trillion in assets under advisement and USD304.5 billion in assets under delegated management. The firm is also a global leader in the provision of actuarial and related services.

Li begins by explaining why Mercer has, in recent years boosted its commitment to global private wealth management. "Historically, we have been focussing more on institutional clients, including some of the biggest players such as sovereign wealth funds, government entities and corporate pensions. But we have seen the opportunity to move into the private wealth space, where wealth is being accumulated so very quickly."

She reports that Mercer has an on-the-ground presence in 10 Asian markets, including key hubs like Hong Kong and Singapore. Mercer's colleagues working across retirement, investment and asset management solutions include actuaries who help pension schemes, researchers, and also consultants who work directly with the clients, delivering advice on their portfolios. "We also have

portfolio managers where the clients delegate the management of their assets for us to manage," she notes.

First institutional clients... and now private wealth

Li reports that Mercer's institutional business centres on specific services to the retirement and investment services sectors. For example, each defined benefits pension plan needs actuarial services, so Mercer advises on retirement scheme structuring, benefits review and harmonisation. And on the investment side, Mercer helps institutional clients with their portfolio design, from asset allocation to portfolio construction, selecting the right managers, the right providers, as well as providing delegated management to suit the client's needs.

"The mission here is simply to support private wealth in making better selection of products and to support the gatekeepers in choosing products for their platforms."

"There are so many fund managers globally," she remarks, "and every organisation only has limited resources, so they need external support in finding the optimal investment opportunities. Our clients come to us because we are independent and manage any potential conflicts carefully."

She explains that the Mercer research operation is reckoned to be the largest globally. The role of Mercer's research team is to analyse fund managers, to look at their products, and then formulate a view on the product, but it is not a quantitative-driven process. "We have a four-factor research process where researchers examine asset managers by

qualitative review," Li reports. "The quantitative factors are used more to validate their research."

Leveraging resources

She elucidates, noting that institutional investors and private banks nowadays are all resource-pressured and time-constrained, hence Mercer's role to support them in finding the best investment opportunities. "In some cases," she notes, "clients actually delegate the full function to us because outsourcing may be more efficient for them, and it means we are answerable for the returns."

Mercer's range of services spans from simply providing its database of asset managers, through to advisory, and at the other end of the scale, Mercer offers delegated management, where their clients can outsource

everything to Mercer, which then becomes accountable for whatever objectives the clients set.

The Mercer FundWatch service

Mercer launched a new service for the private wealth side in 2018, called Mercer FundWatch, which rates funds using easy-to-understand star ratings and which is available openly through the website. "The mission here is simply to support private wealth in making better selection of products and to support the gatekeepers in choosing products for their platforms."

Li explains that there are stringent requirements for private



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banks and other private wealth platforms with regard to selection and due diligence. Accordingly, being able to reference Mercer’s research helps internally and with the regulators.

“We differ from our peers in that we are more qualitative-driven and forward-looking, and they are typically more quantitative,” Li elucidates.

Challenges offer opportunity

Li sees great challenges and yet, opportunities ahead. She notes that the private banks are increasingly challenged by other wealth management platforms and fintech arrivals offering AI-enabled robo-advisory, making it ever more vital from their brand perspective that they become more relevant to their clients.

“Their end-clients,” she explains, “are therefore seeing a much broader range of potential providers and products that they can access directly. So, in order for the private wealth banks and other firms to differentiate themselves, they must become more innovative, more

Getting Personal with Janet Li

Born in Hong Kong, Li studied there all the way through to graduation from The University of Hong Kong with a degree in Economics and Finance. Before joining Mercer, she worked in another consultancy company, Willis Towers Watson, for some 17 years.

"I have been lucky to work and partner with many different senior individuals from various organisations. This has helped me grow in knowledge, skills and more importantly as a person," she reports.

Married with three children aged 10, seven and three, Li has little time for hobbies outside work. "My exercise is chasing the children around the park" she jokes, "it is pretty exhausting, running around with them, playing hide and seek, just keeping up with their energy."

Li says she enjoys the challenge in developing people and forming high performing teams. "Diversity is important, but without inclusion, it means nothing," she explains and cited seeing many businesses and teams fall apart because inclusion was not observed properly. "It is easy to say than do and it requires conscious understanding of unconscious bias, which is an important leadership quality."

"Li recalls that in her early career there were few women in leadership positions in the industry and particularly Asian local faces. Today," she reports, "there are many more home-grown professionals and many more women. My father passed away back in 2011, and I recall with gratitude that he raised me to be able to forge my own way in life, not to be limited in any way by being female, he taught me to drive towards achievement. With a family of my own now, I appreciate his support and advice more and more."

quality-driven, and make sure they can bring in better investment opportunities faster than their competitors, as well as offering better service and experience. Mercer can help them in these areas, so there is great opportunity."

Li agrees that fee compression on products is taking place, as products become more easily available and more commoditised. "There are perhaps too many products and funds out there, actually," she adds, "and allied

with the product-pushing mentality in Asia, there is not a sufficiently long-term approach for the end-clients, which in many cases results in resources being spent on chasing product fees for the short-term.”

But there is a rapidly growing focus on performance, which has become more acute in the more difficult global financial markets since 2018.

Enhancing the offering

“Clients call us most often when their asset managers underperform, which opens the door for us to mine into the research side to see whether the criteria developed for their fund

manager selections are being followed,” she said.

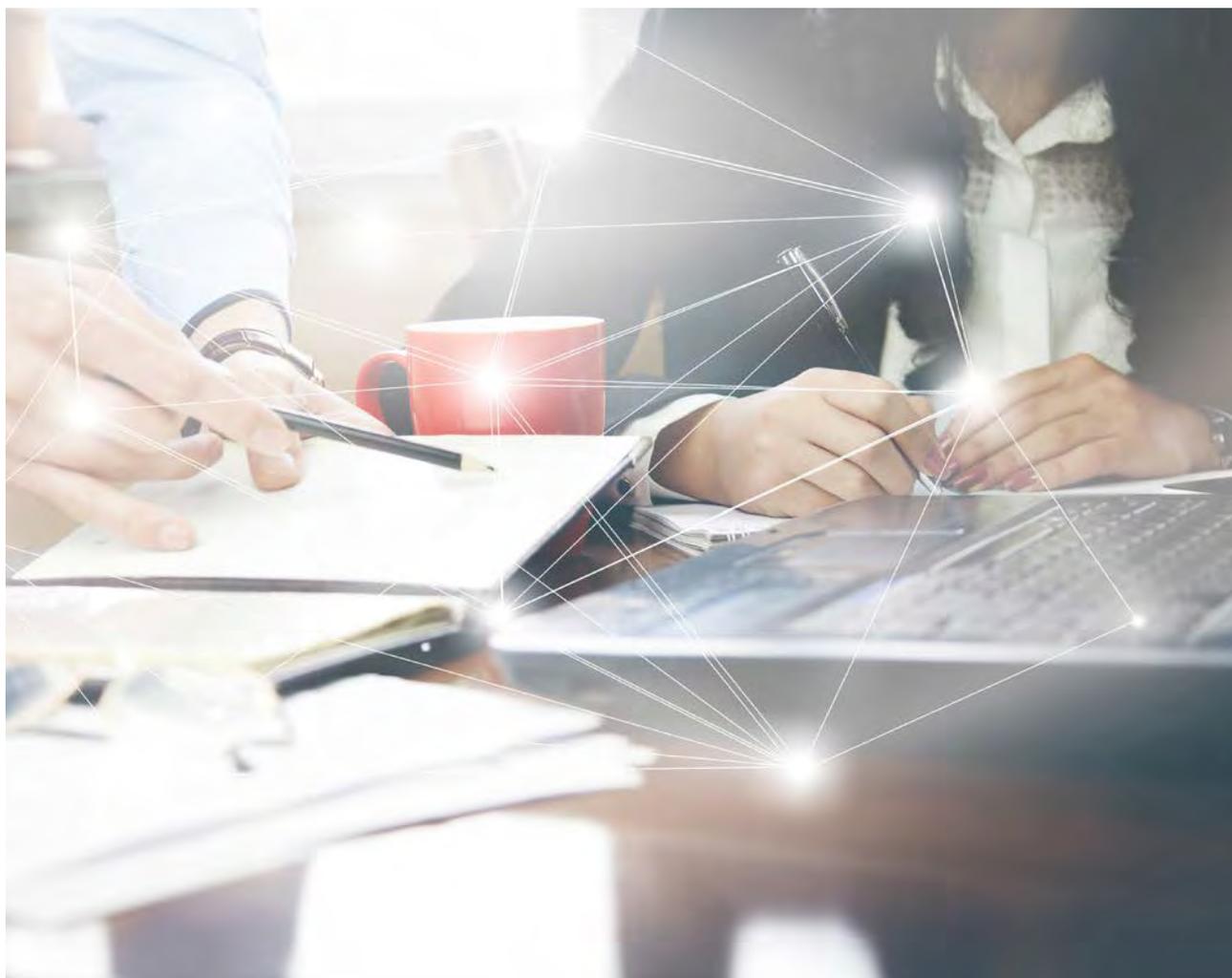
“In other words, we can assess whether performance weakness is short-term, or more fundamentally flawed.”

Li says that on the institutional side, there is a greater understanding of the ebbs and flows of investments, but on the private wealth front there is more pressure to take action in the event of weak performance. “Actually,” she explains, “we often advise against stop-loss selling, as often under-performance is an opportunity to buy more. So we frequently counsel against too much short-term trading, especially as there are always entry and exit costs to consider, and we also try to

help clients leverage their positions with the fund or product providers and negotiate lower fees.”

Objectivity central to the value-added

Li concludes the discussion by reiterating Mercer’s core proposition as the identifier of high-quality asset managers and good products for their clients. “We have a long history of success in this regard,” she states, “and we are objective, and of course we cover the entire spectrum from small to the largest funds and providers. We have a unique position in being able to offer these solutions to our end customers.” ■



Janet Li's Three Key Priorities for Mercer in Asia

Asia's retirement savings gap

"The ageing population of Asia means a major challenge to the savings culture here," Li reports. "We all need to ensure there is sufficient money going into the system."

"This can take the form of, for example, mandatory contributions to provident schemes, which are tricky politically for governments, funding private sector pensions, and the third pillar, which must be strengthened significantly by means of voluntary contributions into products designed specifically for retirement during the accumulation stage of life as well as in the decumulation stages," Li continues.

Li explains that Mercer is offering advice to governments and corporations in the region. "For the governments," she reports, "it is more system development and system design. For the corporations, it is all about helping them devise better retirement schemes and solutions for their employees, for talent retention, and to attract talent. And on the private wealth side, we look at product design, and inflows."

The diversification process

The second priority is to help clients build portfolio diversification. "Many investors here actually do not have a very clear or in-depth understanding about what they are investing in outside the mainstream, or about the risks they are taking on. Expertise and knowledge need to be enhanced amongst investors in the whole alternative investment space."

Li explains that this is particularly important given the difficulty of finding alpha in the public market space, and asset managers, especially the fundamental research asset managers, are struggling because markets are more momentum-driven and less fundamental. "With this environment and the search for return, clearly many institutional clients are seeking to diversify, but often have a limited understanding of how these asset classes work in practice. The J-curve can often be deeper than originally expected."

Disruption opens new doors

The world of digital and fintech disruption also presents both challenges and opportunities for Mercer. "Whilst investment return is still important, investors are also looking at their user experience and ease of access." Li reports. When users are provided the right tools, the money is sticky and we have already seen successful cases of such in the region. The ability to spearhead and bring innovative design to fintech will make the winners of tomorrow, and, as a technology-driven firm ourselves.