

New CreditEase strategy backed by learning

International wealth management group seeks to hike global share and win over sceptics with new FoF offerings

SCEPTICISM AND DIVERSIFICATION may not normally go together, but where Fintech specialist CreditEase is concerned, there are very real reasons for paying heed to both.

The Beijing-headquartered international wealth management group is planning to capture a greater share of the global wealth management market through a new investment strategy for its fund of funds (FoF) products;



BING RONG
CreditEase

but is also ever wary of the number of ponzi schemes that have plagued the industry in recent years that could undermine the plan. “First of all, we have to setup our FoFs strategy because we are facing more uncertainty in the market,” CreditEase’s executive director of wealth management products, Bing Rong, said. “We have a strategy to set up a multi-strategy FoF to scale up our fund of fund portfolio.”

Jack Sun, Rong’s senior product manager, added: “Our top down approach is first to determine our strategy, where do we want to be in say five years’ time. But there are so many ponzi schemes onshore that we must make sure that people understand exactly what we are offering. We need to make sure there are no legal issues, no regulation issues, and we need to fill different investment strategies into the whole top down framework to construct an efficient portfolio.”

Diversified One of the benefits of fund of funds is that they enable an investor to obtain instant diversification in a portfolio of hedge funds, which is attractive for an investor with a portfolio that is large enough to invest in hedge funds, but too small to achieve proper diversification through going directly into hedge funds.

Fund of funds are well diversified investment vehicles made up of a variety of other funds. They typically have lower minimums and are a good way to invest in hedge funds with broad diversification. Some fund of funds invest in hedge funds with a variety of different strategies and a much higher level of diversification, while others invest in a variety of funds having the same or

similar strategies. “We have different kind of products,” Rong said. “We have our Renminbi (RMB) products, where all the funds use RMB to invest, but we can also invest in international markets through QDII channels, and we also have US dollar-denominated funds, which our Hong Kong team is covering. Due to our house view, they recently setup a multi-strategy US dollar fund of funds to invest in global hedge funds.”

Rong added that his capital market product team covers different asset classes ranging from traditional equity and bond to derivatives and algo-trading. From a higher altitude, capital markets as an asset class, together with other asset classes like real estate, insurance and trusts, are “high-end services” CreditEase is offering, Rong said. “Family trust is a newly-developed business and includes some education programmes, like the Berkshire Hathaway 2017 Annual Shareholders Meeting participation, some medical programmes and travel programmes.”

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The recognition received by CreditEase is a result of the launch of a robo-advisor platform to help mass-affluent clients find the most suitable asset allocation solutions and enable them to track and rebalance their portfolios in real time to optimise risk-adjusted returns. The firm also rolled out a “smart insurance” platform that employs data analytical tools to construct and recommend comprehensive insurance plans for clients after they submit information via mobile phones.

Clearer Market Rong relishes the fact that the financial markets in China, in comparison to other Asian financial centres, is opening up, and that regulators are taking a firm hand to keep the industry to heel.

“The market is becoming much clearer nowadays, and that means that many other wealth management companies will be providing products, but we feel we have a first-mover advantage.

“Also, according to the regulators and the new regulations, the ‘wealth management companies’ who launched ponzi schemes, have been washed out, so we are now more optimistic about the market. It will be much more difficult now for anyone to try and launch a ponzi scheme.”



JACK SUN
CreditEase

With the new regulatory broom in place, Rong also believes there will be new vigour for products, with clients being less sceptical and more interested in profit-making. “Clients are now very interested in products that provide them with floating-rate income, they used to like those fixed-income products that were supposed to be risk-free, but over a period of time, more and more people realised that they were taking a burden of risk, a very heavy default risk. I think there is a change in investor attitude and I believe this will be to our advantage.”

To Rong, this advantage may come through the marketing efforts being made by his firm to educate potential clients. “We are doing the marketing things, organising marketing events to educate the investor. I also meet clients, and I think there are more people now accepting our concepts to buy our products, which we provide in the format of funds of funds, and they realise that this portfolio can provide them with a steady accumulation of wealth.

“More people are becoming aware of the concept, especially when we can show our historical track record, with the performance over the past several years showing what the risk-return looks like in our portfolio. Our fund of funds performance is reflected in the data that we can show to our clients to prove performance. If they believe we can do this kind of thing and we can provide this kind of risk-return profile, more people will want to get involved.” ■