Link to Article on website

Premia Partners' Leadership Triumvirate on the Value of ETFs and their Continuing Thirst for Growth & Innovation

Founded in Hong Kong in 2016, Premia Partners (Premia) has emerged as one of the leading independent, pure-play ETF asset managers in Asia, and is now ranked number seven in Hong Kong by AUM across 9 ETFs listed on HKEX. Premia's stated mission is to enable investors with innovative and efficient ETFs built as institutional grade, best practice allocation tools. Premia now have ETFs covering not only China, but also Asia innovation, emerging ASEAN, Vietnam, and also a Hong Kong listed floating rate US Treasury ETF built as cash management tool for non-US investors. Hubbis spoke recently to three key leaders of the team to hear more of the firm, their offerings, the markets, their clients and also about themselves. The triumvirate included Rebecca Chua, Managing Partner, and the two Partner & Co-Chief Investment Officers, David Lai and Laura Lui. Together, they presented a cohesive vision and an interesting narrative around ETFs, Asia, China and their corporate missions, at the same time demonstrating both their collaborative nature, and their great enthusiasm for what they do.

GET IN TOUCH
View Rebecca Chua's LinkedIn Profile
View Laura Lui's LinkedIn Profile
View David Lai's LinkedIn Profile
Find Out More About Premia Partners

DAVID LAI
Premia Partners

"From the beginning we aimed not just to build ETFs – we aim to solve pain points accessing Asia opportunities. Our focus is on launching differentiated Asia strategy to help people allocate and invest in Asia more efficiently. We were the first to bring the factor and thematic smart beta approach to Asia."

We know you very well, but there might be some readers who are not so familiar with you, Premia and what you offer. What do you do, and why?

Rebecca Chua: Premia Partners is an independent ETF provider based in Hong Kong, that we founded in 2016. Our team comprises experienced veterans who came to us from global and regional investment industry leaders. Given our background with the incumbents, creating efficient investment tools for asset allocation is very much in our DNA, and we all see enormous scope for innovations and opportunities in Asian ETFs. Currently we have nine Asia focused ETFs, all listed in Hong Kong, and all built with the same philosophy.

From the beginning we aim not just to build ETFs – we aim to solve pain points accessing Asia opportunities. Our focus is on launching differentiated Asia strategy to help people allocate and invest in Asia more efficiently. We were the first to bring the factor and thematic smart beta approach to Asia.

We like to think of our clients more as partners that we work with on this journey to grow and build out the Asia ETF ecosystem. It is important that there be more ETFs built with Asia in mind, ETFs that would be conducive to the nuances of Asia investing, as the opportunity sets also evolve across Asia with more attractive breadth and depth. So we spend a lot of time talking to clients about what they need, before creating what we hope would be useful and relevant for their allocation needs. This is a very rewarding and intellectually interesting exercise also, and in all cases we also grow together with the clients in understanding and appreciating how best to capture the relevant opportunities with transparent, rule-based strategies.

Laura Lui: You might notice we have 2 CIOs, where we have different areas of expertise. I lead capital markets and trading while David looks after research. We are one of the few ETF houses in Hong Kong that since inception invested for full-fledged capabilities to provide research and also the capital markets support for our clients. Not all clients are sophisticated large institutions with in-house capabilities to take full advantage of the efficient mechanism between primary and secondary market liquidity for ETFs, and there are increasingly many family offices and boutique wealth management firms that are utilising ETFs to implement trades. For our clients, we want to provide the full spectrum of services related to ETFs from idea generation to research, and to implementation and managing the ETF capital markets processes

Can you elaborate on your clientele, and put some more flesh on the bones of why they are interested in your array of ETFs?

Rebecca Chua: In the past we have focused more on institutional investors, including insurers, asset owners, and the rising array of family offices. Similar to the developed markets, institutional investors also have increasingly deployed ETFs to implement investment strategies and for diversification and portfolio completion purposes. Over the years many have become increasingly sophisticated ETF users, and as they become more mindful of costs, the cost efficiency aspects of ETFs also become better appreciated. We have also noticed many investors getting more sophisticated with their asset

LAURA LUI
Premia Partners

allocation and hunt for alpha, and evolved from pure US/ home bias in the past to more interests and coverage for different pockets of opportunities in Asia.

Out of your nine ETFs currently, clearly there will be different levels of interest depending on conditions and the outlook, so if you were to pick three ETFs for investors to focus on right now, which would those be, and any?

David Lai: I think the top one definitely is the Premia China New Economy ETF which is diversified portfolio with ~300 stocks riding on the megatrends evolving in China right now, such as urbanisation, consumption upgrade, aging population, green economy, technological advancement, and industrial automation. All these areas are well supported by policy outlined in the most recent National People's Congress. A multi-factor approach is embedded in the ETF, leading to the holdings with stronger financials and higher growth. We also believe that also the confidence from the international investor in China is coming back.

Another interesting ETF would be the Premia STAR50 ETF benefited especially from the ChatGPT/ AI hype recently given its unique coverage of China's leading players in the semiconductor/ AI value chain. that the strategy aims to capture the emerging innovative companies in hardcore technologies, including semiconductor, artificial intelligence, new materials, green energy and biotech, etc. With increasing obstacles in technology transfer internationally, China has strong incentives to accelerate its own advanced technology development. The ETF currently invests in the top 50 leading companies listed in the STAR market, which has been one of the fastest fundraising platforms in the world since launched in 2019.

Laura: The third one and one I like very much is the Premia Dow Jones Emerging ASEAN Titans 100, which captures the growth economy and momentum around ASEAN, namely Indonesia, Thailand, Malaysia, Vietnam and the Philippines, but excluding Singapore, which we consider more of a developed market. We are cautious over the US, but we think China's reopening is one of the key themes that asset allocators are looking at now. The strong economy growth for emerging ASEAN amid covid, outperforming DM and EM markets in general, plus the resumption of supply chain migration should illustrate the validity of China plus one story. We can see from market flows that there are investors switching some love back to emerging ASEAN already.

What do you think differentiates you?

Rebecca: I think it would be our consistency and dedication for high quality research and differentiated solutions. Most of our clients look at our ETFs not necessarily as a simplistic passive tool, but more as source of alpha from portfolio completion and targeted diversification, as well as idea generation as our ETFs tend to align better to the emerging opportunities better than traditional plain vanilla passive strategies.

For instance many of our investors are not just institutional investors such as asset owners, insurance companies and DPM managers, but also active asset managers that may have their China/ Asia research and expertise more on the established internet giants, conglomerates and banks, and are looking to adjust and adapt for opportunities in the emerging new winners.

While they develop their conviction baskets, our ETFs become very good source of ideas and portfolio completion tools to augment their existing allocations. Meanwhile we also love sharing our research and discussing with clients to validate the use cases of our ETFs, and often times through the process also develop new strategies in the shapes and forms that they would find relevant and useful going forward.

Is the Hong Kong of today a truly viable hub for these types of products when looking at the region, the Middle East and indeed globally?

Rebecca: Hong Kong is actually a great hub for ETF listings given

REBECCA CHUA
Premia Partners

the favourable tax regime – there is no stamp duty for ETFs, no capital gains nor dividends tax, no estate tax, and for Asia based investors trading ETFs with underlying listed in Asia, the trade Asia in Asia benefits can be enormous.

Having said that, Hong Kong and Asia in general are still very much at nascent stage of developed compared to much more mature ETF centres like the US or London. This would put Hong Kong listed ETFs at somewhat of a disadvantage to US listed or London listed ETFs, because those markets are far bigger, deeper and more diverse, with a much broader and diverse array of investors and market participants providing market liquidity in a very different order of magnitude.

US ETFs also benefit from the requirement that all ETF trades be it through primary or secondary markets need to be printed – thus the onscreen liquidity always look much better as it would be aggregating both instead of just onscreen trading. Infrastructure constraint can also be a hurdle - for example, we were talking to a private bank recently that is very interested in our ETFs, but right now their securities trading platform only allows them to trade US listed ETFs so we'd have to wait until they set up the capabilities to trade Hong Kong listings.

Laura: There are advantages, on the other hand. Hong Kong is well known and well regarded as a major international financial centre with top-flight capital markets expertise. The city is closely connected to China with both northbound and southbound flows, and of course, some of our ETFs track mainland-listed 'A' shares or Asia listed stocks, we are directly in their time zone. Therefore the liquidity providers will be able to trade and hedge any exposures during the same market hours. Furthermore, we enjoy stamp duty waivers for trading ETFs here, and we can wait until the last minute to transfer the money to the local Hong Kong custodian to buy onshore A Shares for our portfolios, which makes it incredibly efficient and transparent in terms of tracking the Chinese stocks and indices.

Rebecca: Indeed from our recent conversations with investors in Asia and Europe, to our pleasant surprise we are finding that there is much stronger interest that we expected in getting back into China now that the reopening and recovery of economy are in progress. While there are a lot of uncertainties and scepticism also given the continued geopolitical tension and uneven recovery, many investors are keen to find out more what would be appropriate and relevant new ideas to participate in this new normal. Afterall as many country and business leaders would acknowledge, decoupling would be disastrous for the world, but while the derisking exercises evolve, there are new pockets of existing opportunities such as renewable energy, new materials, AI and advanced manufacturing where China would naturally play very critical role given its scale as a market and as a producer/ supplier. On these topics, Hong Kong can also play a very important role in connecting and facilitating.

Hubbis: What do What What do you see as your key priorities for the year or two ahead?

David Lai: A key priority is to grow apace, and with the reopening of China, we are optimistic that more international money will flow back to China and more broadly into Asia. This will of course benefit our ETFs, which focus mostly in this region. We have faced a few challenging years with the pandemic hitting China and the region hard, and then turmoil in China and the markets. But we see those headwinds as turning into tailwinds from now.

Secondly, we will continue to develop new solutions for our investors as global investment landscape evolves. We cannot share at this stage or any particular strategy we are working on yet, but consistent with our track record we are committed to bringing more innovative solutions to the market. We have a history of innovation, having launched the smart beta, multi-factor strategy for China A shares, and the first US Treasuries floating rate note in Hong Kong and in Asia.

Laura: ESG is something we have been incubating for some time now, but we do not want to just take a tick box approach. We will direct the ETF towards something through which clients can generate climate alpha.

We always enjoy hearing more about you as individuals, so could you each offer readers a bit more colour about yourselves and your backgrounds?

David: Hong Kong through and through. Born here and educated here, including studying business and finance at the Hong Kong University of Science and Technology (HKUST), and then obtaining my masters in Investment Management.

A highlight of my career was launching the first Renminbi Qualified Foreign Institutional Investor ETF to be listed in Hong Kong, when I was at China Asset Management. Since then, Premia has been an incredible experience in so many ways.

My wife and I have two children, a son nearly ready for university this summer, and our daughter is 15 and at school. Spare time might see me reading, doing yoga and I am now just getting into Pilates. I have practised yoga for more than 10 years, and the calm and balance it helps me achieve is great, and so too the flexibility I have built up. Work is pretty hectic and physical and mental calm are vital antidotes.

Laura: I was born in Vancouver, Canada, but my parents are from Hong Kong. I spent my primary school years here in Hong Kong, before we returned to Toronto for high school and later attended the University of Toronto, with a specialist degree in Actuarial Science, minor

Premia Partners' Nine HK-listed ETFs

This information is distilled from Premia's marketing material. They list their nine ETFs and key characteristics as follows:

The China-centric ETFs:

Premia CSI Caixin China Bedrock Economy ETF (China A-shares focused)

- Major contributors to China's mainstream economy with robust fundamentals
- Factor tilt: High Quality, Low Valuation, Small Size, Low Risk – benefits from China's SOE reforms and re-rating

Premia CSI Caixin China New Economy ETF (China A-shares focused)

- China's leaders in new economy sectors driving megatrend opportunities and strategic policy goals
- Hardcore technology, green economy, healthcare/ biotech development, industrial automation, dual circulation

Premia China STAR50 ETF (China A-shares-focused)

- Top 50 companies listed on the STAR board created to incubate China's emerging leaders in hardcore technology and new industries important for China's national strategic goals
- High growth leaders driving development outlined in China's 14th Five Year Plan for building a high-tech, modern society

The Asia-centric ETFs:

Premia Dow Jones Emerging ASEAN Titans 100 ETF

- Opportunities from growth economies in emerging ASEAN
- Top 100 companies by market cap from Thailand, Malaysia, Indonesia, The Philippines, Vietnam

Premia MSCI Vietnam ETF

- Vietnam's exponential growth opportunities in a single trade
- Physical, in-time-zone access tool for Vietnam equities

Premia Asia Innovative Tech & Metaverse Theme ETF

- 50 largest innovation focused leaders from Asia – diversified set of Asia growth leaders by geography and by sector
- Focused megatrend exposure to AI, Semiconductor, Blockchain & Metaverse, Digital Transformation, Industry 4.0, Green Technology

in Statistics and East Asian Studies for Japanese language. I went on to do my master's in global finance at NYU and Hong Kong UST, a programme I was sponsored for by my previous firm, thankfully.

I then worked for JP Morgan on the credit & rates desk on marketing before moving to become a trader with ABN. My quantitative background took me to JPM, but I saw the appeals of trading, hence the move to ABN and later to RBS to trade equity derivatives. I was the first batch of traders who did the market making and trading for the warrants and CBBCs in Hong Kong, and also for the first QFII ETF. Those were great times, and I then switched to Mirae Asset Management to run their ETF team, before being hired to ICBC Credit Suisse to set up their ETF team as well; that was a JV between ICBC and Credit Suisse on the asset management side, and they had great ambitions around ETFs out of Hong Kong.

But the highlight has definitely been here at Premia where I have been since the outset in 2016. We work incredibly collaboratively and harmoniously, and with great focus and drive. I am married and we are hoping to start a family. I love travel, my most recent trip being the wonderful Vienna and Nuremberg at Christmas. I love tennis, and at home here enjoy meditation and the pursuit of well-being.

Rebecca: I was born in Hong Kong and educated here – David was in fact my schoolmate at HKUST. I then went on for MBA at Yale in the US at the sponsorship of my first employer Standard Chartered.

I feel blessed somewhat in my career as I have been incredibly lucky, with some very supportive and insightful mentors that have deliberately directed and helped towards paths that have been demanding but that also forced me to learn quickly.

I started out in corporate banking with Standard Chartered, and later found my way to being the Chief of Staff for the Asia Chairman of Marsh McLennan insurance companies. I was there for six really interesting years, working with colleagues at the operating companies of Marsh, Mercer, Guy Carpenter, Oliver Wyman, Putnam, and Kroll, covering interesting topics and projects across 13 geographies in Asia.

I later joined Blackrock as Director for the APAC Fundamental Equities, covering non-investment functions including business management and strategic engagements with regulators and the China joint venture partner. Then I was the Deputy Chief Executive of ICBC Credit Suisse Asset Management International, where I helped lead the international platform build out, and develop strategic partnerships for the asset management joint venture between ICBC Group and Credit Suisse. And in 2016 we founded Premia.

In my spare time I enjoy reading, doing yoga, hiking and spending time with my family including my lovely nieces and nephew and travelling with them. In fact, in my recent family trip to Japan, I rediscovered that not just being meticulous with high quality, many Japanese people are also very kind and honest. The peace of mind and sense of safety that you feel travelling in Japan, is reflective of their remarkable culture. ■

And:

Fixed Income ETFs:

Premia US Treasury Floating Rate ETF

- Efficient USD cash management tool with floating rate mechanism
- Minimum credit and counterparty risk – US Treasury only
- Daily liquidity, up to 1 week duration given weekly reset

Premia China Treasury & Policy Bank Bond Long Duration ETF

- Unique access to long duration CGBs & policy bank bonds
- Attractive yield with USD hedged share class available
- Low-cost, efficient access for onshore bond market

Premia China USD Property Bond ETF

- Unique access to high yield USD bonds from Chinese developers
- Low-cost efficient access to a diversified basket of rated bonds
- Secured or senior bonds only excluding LGFVs or sub-debts