

# Premia Partners on the Drive to Expand and Professionalise Asia's Nascent ETF Market

Premia Partners has for several years since its creation in 2016 been forging a fascinating path into Asia's wealth management industry, imagining, creating and then rolling out a series of what are now six distinct ETF strategies focused on Asian investors, but with the region's and the world's financial markets as the raw material. Hubbis 'met' with three key members of the team in late 2020 to hear of their views on some of the key underlying markets their ETFs represent and how they continue to tailor opportunities to their specific and ever-increasing knowledge of Asia's wealth market clients. We enjoyed many key insights from Premia's top team Rebecca Chua, Managing Partner, and the two Partner & Co-Chief Investment Officers David Lai and Laura Lui, all united in the common objective of expanding and advancing Asia's relatively immature ETF market, which they believe offers such immense opportunity for institutional, private banking and other wealth management investors.

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**DAVID LAI**  
Premia Partners

**Founded in Hong Kong** in 2016, Premia Partners (Premia) has emerged as one of the leading independent, pure-play ETF asset managers in Asia. Premia has as its fundamental mission the enabling of investors with efficient investment tools and to achieve this they see enormous scope for innovation in the Asian ETF industry. Dedicated to building and curating best-practice ETFs and rule-based solutions for Asia, their goal is to contribute to the Asia ETF landscape with better products, better advisory, and a better ecosystem.

At the end of 2020, Premia managed six ETFs, including the Premia CSI Caixin China New Economy ETF, the firm's flagship ETF which has become the fourth largest China A-shares ETF in Hong Kong and was the winner of the HKEx 2019 Top Performing ETF – Total Return Award. There is another key strategy covering China, and four ETFs focused on Emerging ASEAN, Asia Innovative Technology, Vietnam and US Treasury notes.

### Plenty of experience

The firm was established by a group of experienced practitioners from

the incumbents like BlackRock, ChinaAMC, and Mirae Asset, who have for many years focused on Asia and in 2016 came together to build Premia Partners as the ETF pureplay dedicated to Asia.

“Since the beginning we focus on launching ETF products that are highly differentiated and relevant for Asia. We take great effort to build each ETF to solve the pain points for investors seeking exposure to these markets, both

of indexing and data technology, ETFs are no longer just about plain vanilla cap-weighted market beta. With the emergence of various systematic strategies, ETF does a job similar to that of an active manager, but in a much more transparent, disciplined and cost-efficient manner, the firm believes, which itself translates to economic benefits for investors.

“We have strong conviction for in ETFs in Asia, and what we had seen

**“I truly believe the collective efforts by market participants are starting to bear fruits, not only by innovation on strategy breadth and depth, but also the entire value chain of ETF ecosystem has become much more efficient and technology-enabled. We don't want to just build me-too products, but we want to provide efficient building blocks that have valid use cases for investors, and assist them in extracting the most value from these tools for their passive and active management needs. That's why we have dedicated resources for the capital markets function since day one.”**

from Asia and outside the region,” said Rebecca Chua, Premia's Managing Partner. “We are the first to bring the factor and thematic smart beta approach to Asia. At the moment we have six unique ETF strategies, including our flagship [Premia China A New Economy ETF](#) which won the HKEx Top Performing ETF Award.”

### ETFs are not just about beta

The systematic investing approach used by ETFs is not only a way to achieve higher returns than market beta, but it also relieves the investors from the task of scouting for efficient active managers. Given the evolution

in the enormous growth of ETF landscape in the US and in Europe will replicate in Asia”, she enthused. “it is always tough building out a new space, but now is the once in a lifetime window – when Asia is still very much at the nascent stage, when David can still work hard to match up with the Goliath.”

“Without the institutional legacy and bureaucratic burden, we can be really agile in focusing on what our clients need and may need, and grow together more like business partners in this journey,” Rebecca added. “In fact, there is so much that can be done, we even see other fellow ETF providers



**REBECCA CHUA**  
Premia Partners

more as comrades in building out the ecosystem than competitors. We want Asia to grow and master the use of ETF as efficient building blocks quickly. It takes our collective efforts.”

**The vision bears fruit**

David Lai, Partner and Co-Chief Investment Officer, echoed that there is so much new product innovation that can be done in Asia – as the vibrant ETF landscape in the US and Europe that is still not permeating through to Asia. “And that is precisely why we are here and even though we have a fairly short history, we are already the eighth largest ETF house in Hong Kong,” David explained. “We know we are on the right path and see immense opportunity ahead.”

Laura Lui, Partner and also Co-Chief Investment Officer has seen the painstaking evolution of the ETF market since the first ETF arrived in Hong Kong back in 1999. “Here we are many years later and we still haven’t turned the hockey stick growth path in Asia yet, with some players came and gone already,” she says, “that

said, much has changed also in the ecosystem. I truly believe the collective efforts by market participants are starting to bear fruits, not only by innovation on strategy breadth and depth, but also the entire value chain of ETF ecosystem has become much more efficient and technology-enabled. We don’t want to just build me-too products, but we want to provide efficient building blocks that have valid use cases

clients in the past, but the team also started to engage a much wider audience since Covid-19. “ETFs can be used in many ways to simply reflect the underlying assets or sectors, or as part of very sophisticated portfolio management and diversification strategies,” Laura explains. “with the tremendous growth of Asian family office space recently, we have also seen rising interest in ETFs as many family offices are

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**Winning more and more friends**

Unlike in developed markets, in Asia in which the retail space is still more commission-based and product-pushed oriented, ETF users tend to be institutional and professional investors that are more cost-savvy and performance efficiency conscious. Premia acknowledged they have spent more efforts with the institutional

now professionally run with well trained investors that appreciate the nuances of well-built ETFs. And our differentiated Premia ETFs become the ideal allocation tools as they seek new ways to build and diversify their portfolios.”

David commented that two particular trends have become clearer since the pandemic hit. The first is what he called the ‘explosive growth’ of the digital brokers, with many FinTechs branching into the securities trading business in the US, names such as Robinhood and in Asia such Futu Securities.

“In an era of online trading and remote execution,” he added,

**LAURA LUI**

Premia Partners

“so many more investors are comfortable trading through such digital retail brokerages, which are also offering a lot of very innovative features not available before with the traditional brokers. Although initially a lot of people tend to trade single stocks, especially names that they are familiar with, the trend that we have seen is also they will branch out into different product types. Especially as investors start to maintain more disciplined asset allocation approach, ETF is actually a very appropriate tool for diversification and market access. In fact, we often say that the ETF is a tool that democratizes investing for investors because everyone is paying the same fee for the same product.”

### Expanding in the DPM community

The other trend Rebecca highlighted is the growth of discretionary portfolio management or DPM solutions, offered by the private banks or the securities brokerages for their high net worth clients. “ETF is a perfect tool for DPM managers, as compared to layering hETFy active fund fees, any cost savings from

allocating with well-built ETFs would naturally translate into alpha for their clients’ portfolios,” she added. “Plus some ETFs in fact outperform mutual funds.”

### David laughed, “yes like the Premia ETFs.”

David added that while ETFs are mostly pure beta plays, Premia has been a pioneer in bringing thematic and factor ETFs to Asia. “As investors expand allocation to Asia, there is a dire need for allocation tools that allow investors to allocate with more granularity. Thanks to the collective efforts of all market participants, investors now also increasingly understand the ETF mechanism and how they can make use of the tools more efficiently. As we populate our product range, investor needs and use cases are our key focus. In many cases we consider smart beta to be more attractive as they offer more tailored access for emerging growth opportunities especially for Asia,” he commented. “these in the past may not be available to investors without hefty fees.”

### Improving understanding

And this, he noted, relates to the other key trend the firm sees, which is improving investor education, which is in turn leading to greater adoption. “There is a rising demand for more data, more information, more advice in terms of ETFs,” he says, “and that is why we see more banks adding ETF specialists in their teams. In short, the demand side is growing and also becoming more interested in better quality information and advice.”

### Flying China’s new economy flag

As to the firm’s strategies, Laura highlighted what is today Premia’s

flagship product, the [Premia CSI Caixin China New Economy ETF](#) as example of Premia’s Asia growth focus. “This ETF has certainly been given increased momentum due to the pandemic, which has grown in AUM by more than 4 times since April last year,” Laura explained. “While the world started to accelerate adoption of digital transformation during the pandemic, many new economy leaders in China leapfrogged their growth and this manifested in the ETF’s strong performance. The ETF which just gained 3 years track record has already won the Top Performing ETF Award by the Hong Kong Stock Exchange last year when it was up 45.2%, and in 2020 it was again up by 45.4%.”

She added that the ETF includes exposure to healthcare technology, IT, enterprise digital transformation and the green economy. “So many of the key elements of the recovery of the Chinese economy and the policy support tailwinds for new economy sectors are actually very well aligned with the strategies of this ETF,” she observed.

### Where to find growth

“This has given us a lot of latitude for some very interesting discussions with investors,” David added. “since the pandemic while we could not travel, we have done a lot more engagements with clients to discuss how megatrends and the old economy and new economy shifts evolve. Where to find growth is something we think about everyday. One example is our [Asia Innovative Technology ETF](#), which is like an extension of our China New Economy ETF, and covers 50 technology-enabled leaders from Asia. It was up by 60% last year.”

Laura zoomed in on some other key trends the firm anticipates for 2021, highlighting how some of Premia's other ETFs will help capture these opportunities. "ASEAN and of course within that grouping Vietnam are all in focus," she reports. "With accommodative government policies we are seeing rising interest amongst clients and partners in these ASEAN-centric ETFs, which are likely to perform ahead, while they have relatively underperformed in the past year or two."

### ASEAN, Vietnam and RCEP – a game-changer?

She elaborated on these policies, highlighting, for example, the 15th of November 2020 signing by ASEAN and five regional partners of the Regional Comprehensive Economic Partnership (RCEP), arguably the largest free trade agreement in history. This is a big deal, as it removes up to 90% of tariffs for trade between 15 economies - involving 2.2 billion people, a combined GDP worth US\$26 trillion, 30% of the global economy and 40% of global manufacturing. (The members are China, Japan, South Korea, the ASEAN 10, Australia and New Zealand.)

"People are already pricing in the upside for ASEAN countries," Laura commented. "Time will tell the impact, but the greater cooperation between ASEAN and China and Japan will surely bring some major benefits."

Rebecca added that the significance of RCEP agreement is also that it facilitates the interregional trade, which is already alleviating China and the region's over-reliance on US exports in the past, with the other

RCEP signatory countries gaining a larger and larger percentage of economic activity with China and also within the region. It is estimated that with RCEP intra-regional trade could hit 70% of total trade in less than 10 years. And [Vietnam](#) which has been commented for its pandemic control and recovery, has been a poster child beneficiary in particular. "This is also why so many people are very excited about these developments," she said.

David added that aside from the tailwinds for ASEAN, another key theme ahead is the weakening US Dollar that will potentially continue well in 2021. "We see this as part of the wider catalyst for rising investment in some of the markets that have lagged in recent years, including of course broadly Southeast Asia," he explains.

He also noted that 2021 is also the beginning of the 14th five-year plan in China and the 100th anniversary of the Chinese Communist Party. "As more initiatives flow through, so we expect our two China products to gain yet more traction," he reported. "Market liberalisation and reforms will also boost demand for Chinese assets, we believe."

### Key Priorities for 2021

Turning to their key objectives for the year ahead, Rebecca said first on the priority list is to keep up the team's strong momentum and stay healthy.

"2020 was an unprecedentedly challenging year for the world, and we too when the pandemic first hit were very worried especially since we also had some senior departure at the time," she confided. "It was definitely a low point and I think we all lost sleep



especially in the first few weeks trying to figure out how best to stay healthy and vitalised for the firm and for the team personally. Fortunately, the team has come together very cohesively, and we have tried a lot of new things to engage with the clients while we could not meet in person. It has been a very exhausting year as many of us work around the clock and on weekends, but we are very thankful that our clients have also been very supportive, and the market has been kind to us. To our gratification we ended up doubling overall AUM by year end instead. It is not just a sprint but a marathon, so keeping the energy and the momentum within the team to continue our crusade is critical."

The second priority is to resume new ETF launches that have been put on hold last year. "Given the uncertainties last year, we did not want to put on too much risk for the firm," Rebecca added. "now we are ready."

On this point, Rebecca shared more on Premia's 'philosophy' around launching new products, something that differentiates them from other ETF managers.

"As the Economists suggested, the world is going through what is called 'Slowbalisation' now, with slow growth and decline in productivity. Where to find growth and income is a vital question," she mentioned. "Our goal is to

help investors find and efficiently access pockets of assets that can deliver above-average growth and that can sustain the return for investors," she said. "For Asia, we have focused on the growth economies and growth sectors, for example, growth economies and sectors in China, in Vietnam, in the emerging ASEAN region, growth sectors in the Asia innovative technology. And in 2021 we shall start our income products, with focus in the sweet spots that offer attractive risk-adjusted returns."

"And my third priority is as the name Premia Partners goes, to continue to evolve as a better long term partner that grows with our team, our clients and our business associates. As my friend Lei Zhang the founder of Hillhouse Capital always likes to say - the greatest happiness at work is to do meaningful things with sensible, reliable people, and whom you seek as partners in this life's journey is more important than the faraway high ground. His recent book [The Value](#) is really good by the way if you might be interested.

Rebecca added: "I guess it is even more important at start-ups and young companies, as the sheer amount of work, patience and agility it requires would put a lot of things to test especially during the pandemics. We are very thankful to have an unfailing team with the grit to tough it out and are willing

to back up each other when the going gets tough, and equally important clients and business partners that share our vision and are willing to support our efforts to build out the Asia ETF landscape with patience and encouragement. I always feel very blessed as it is not usual for all the stars to align. And I think as we grow Premia together, we also continue to reinvent ourselves and evolve into better iterations of ourselves as time goes by.

"Yes, just as Lei famously said, to be the friends of time," Laura chuckled.

### The final word

The final word goes to Laura, who explains that in 2020 many investors in the region matured in their approach to the ETF market and trading. "Not only are they more familiar with ETFs in general, but they have become more willing to accept different ways to execute and trade ETFs, providing for a better pricing and more efficient operational flow, and this includes a greater activity in some of the smaller AUM ETFs, not only in Asia but also in Europe and the US. In Hong Kong, the trading volume has been skewed heavily to the top five ETFs, but we are seeing more and more investors, especially from private banks, utilising ETFs, and these advances will be very positive for Premia, for all types of strategies and for the market as a whole." ■

