# Principal Global Investors plays pedigree card in Asia

Coming late to the distribution business in Asia requires something different to make inroads. Principal Global Investors is striving to define its value proposition as an investment-led manager with institutional-quality insights and strategies, says Gaurav Kumar.

Being relatively new in the fund distribution space in the Middle East and South-east Asia, Principal Global Investors aims to leverage its institutional investment capabilities and rich heritage of being known as one of the largest retirement savings fund managers in the US.

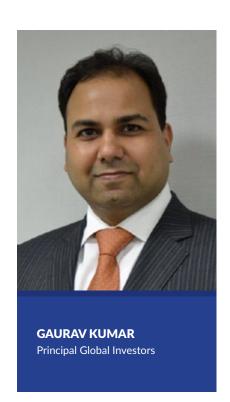
The most important question is how to position the brand in a saturated market. In this respect, Principal Global Investors' unique multi-boutique specialist structure with strong income-orientated strategies helps to get its foot in the door, says Gaurav Kumar, the firm's Head of Fund Distribution for the Middle East and South-east Asia.

In this market, distributors need to adopt a non-product led approach; although this may take more time, it is a superior tactic to gain and retain the attention of clients. "The three aspects we focus on initially are our DNA as a long term savings manager, our successful institutional investment capabilities and our specialist offering through our multiboutique structure," says Kumar.

## **DEFINING THE DIFFERENCE**

The approach that Principal Global Investors takes means that it has a different look and feel than many of its competitors. As a multi-boutique asset management organisation, it allows access to a growing network of specialist investment boutiques and teams that are available under the broad distribution footprint of its parent firm, Principal Financial Group.

This is key in a crowded funds space especially distinguishing itself from asset managers that have established third-party distribution. "We do not want to be tagged as regional, asset class-specific, or as a star PM-driven asset manager. Instead we want to be viewed as a holistic asset management house with specialist investment offerings," explains Kumar. "People like our



institutional capabilities and what we offer to clients. They also appreciate our DNA as a long-term retirement and savings manager, and to add to it, our

income-oriented and specialist offerings makes them like our Principal brand."

Having said that, our first discussion is not product-led, but rather understanding what clients require and mapping our offering to their present needs.

It is also important to understand that investors are on the lookout for innovation in products, and some of the key long-term requirements in this region are income, outcome solutions and long-term pension needs. "With our pedigree of being one of the largest pension players in the US market and having strong capabilities in income solutions through a number of our specialist boutiques, this requirement plays right into our hands," adds Kumar.

### **PEDIGREE**

Most wealth managers are on the lookout for specialists who bring credible investment capabilities to address the needs of their clients and provide longterm investment solutions.

In the present market environment there is a need to preserve and grow capital; therefore multi-asset allocation specialists are seeing increasing interest. Investors are also seeking more innovative strategies.

The challenge many distributors in Asia face is that clients are going to outlive their income stream and therefore they need to offer genuine retirement solutions for a client, not just sell a product. Yet, explains Kumar, the incentive structures prevalent to date have skewed conversations with clients more toward insurance wrap platforms, for example, rather than a long-term savings plan.

But change is happening slowly, and it is unlikely to stop. As this gathers momentum, Principal Global Investors wants to tap into its pedigree of being a successful pension fund manager in the US, says Kumar.For example, it intends to bring target date, outcome-oriented ideas to Asian individuals. To account for the different versions of pension systems from one country to the next, there is the potential to give distributors an investment solution that can cut across funds but with a similar method to how it is managed – whether outcome-oriented or targeted.

Kumar says such discussions between Principal Global Investors and various distributors are at an early stage, but underway.

### **WIN-WIN**

The essence of the challenge for the funds industry in Asia over recent years has come from the fact that products have been created and sold based on a marketing story. From Kumar's – and Principal Global Investors' – perspective, the investment thesis has to be the base instead, followed by the marketing story on top. He points to the underperformance of infrastructure funds; while these were a great theme, they haven't made investors much money.

One of the benefits Principal Global Investors believes it can bring to private banks is its experience with the more sophisticated institutional investor base it services around the world. "We work with a lot of institutional clients. We understand them and what they are looking for, so we can bring these insights to distributors."

Yet this doesn't address the challenge of needing a minimum AUM and track-record to get on to the platform at many private banks. This can stunt the development of funds to take advantage of certain market conditions. "We would like some of the conversations to be a bit more open, not just sticking to rigid fund selection criteria," adds Kumar.

# Three priorities for 2016

Principal Global Investors' main goal going forward is getting its products approved on more private banking platforms and with larger institutions. "To accomplish this, our key focus for 2016 is to increase market coverage and buy-in of our business and investment capabilities by organising numerous roadshows with our various boutique portfolio managers and senior management. The key is to enrich and nurture the relationship with distributors," says Kumar.

At the same time, some of the larger banks are rationalising the list of products on their platforms, says Kumar. "We are moving against this tide, so we have to offer more of our unique and value-added investment solutions to gain their interest."

Another focus for Principal Global Investors is to engage in the trend towards discretionary advice. This might involve bringing into discussions in some form the firm's segregated managed account capability that it has for institutional clients, including a multi-asset allocation approach. "We need to work with distribution influencers and decision-makers to highlight our proposition, leveraging our global reach. That's the way forward."

Principal Global Investors is therefore the type of asset manager which welcomes the growth, although gradual, of discretionary portfolio mandates. "Firms like us will benefit from that trend going forward because we are not typically a marketing shop; we are a pure investment house," reiterates Kumar.