

# Sun Life's Philippines CIO on Optimism, Professionalism and the Long-Term Perspective

Sun Life's Manila-based Chief Investments Officer Michael Enriquez is a natural optimist, but in his crucial role, he always tempers his positive outlook with a considerable degree of prudence. In his personal life, he is a serial competitor in marathons and triathlons, taking a long-term perspective on keeping fit and healthy for a long life ahead. And so too, this philosophy extends to his working life. As CIO for both the company's 125-year old life insurance operations in the Philippines and for the company's asset management business, he espouses a longer-term vision of insurance and of investments. Enriquez strongly believes in the multi-decade value being created in a country such as the Philippines, whose population and economy, and of course, private wealth creation, are expanding at such a remarkable pace. He met with Hubbis to set out his vision and the firm's core investment values.

## Enriquez begins by

reporting how positive the life business has been in recent years, with continued strong sales in 2019, in tune with the widespread improvement in income level. "The fundamental growth has created greater room for insurance as another asset class for them, not only for protection but also for filtering their investments. Our asset management business also continues to grow the AUM figure robustly, although I can advise that more of that is towards passive equity funds and money market funds these days."

local currencies and dollars, and in fixed income, equities and money markets."

Sun Life's insurance arm boasts close to 20,000 advisors nationwide, and these agents also cover sales for the asset management business, which is also supported by bank partners who have an open architecture. There is also a joint venture with one of the local banks, RCBC, for the bancassurance arrangement, whereby there is a joint venture through which they can offer Sun Life's insurance products to their bank clients.

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## TWO KEY ROLES

As CIO, Enriquez handles both the insurance company and Sun Life Asset Management Company, the firm's domestic asset management operation. "My mission," he explains, "therefore spans from managing the assets that back our insurance company liabilities, the clients' variable unit-linked funds or investment-linked fund on the insurance side, basically insurance including an investment portion, offering protection and some cash or uplift value in the case of redemption. Then we have the mutual funds where we sell it directly to retail investors, with these available in both

## PEOPLE + DIGITAL = COVERAGE

The company has also been building its digital infrastructure, encouraging online access to its funds, especially on the asset management side. On the insurance side, there is underwriting involved, which limits the amounts more to levels covering personal accident insurance, travel insurance and other basic solutions.

"Digital allows access to even more potential customers, even those too small for our advisors to reach out to," he reports. "Essentially, digital helps us democratise the accessibility of these financial protection products. We also recognise the fact that a lot of

## Key Priorities for his 2020 Vision

First, Sun Life wants to enhance the skills of the investment team, in order to help wide the array of assets they can invest in and distribute. "And to do this, we also need to boost our international skills," he reports. "The domestic market is quite small, so we are first looking broadly at Asia."

Secondly, he wants to further institutionalise the firm's services so that products and solutions can be increasingly rolled out to institutional investors as well as retail clients.

the millennials are changing their mindset on buying more direct, researching by themselves rather than having an advisor talk to them, so we are also addressing the needs of the changing market. Right now, even amongst our advisory force, 50% of them are Millennials, so it is natural that the network that they would attract would also be similar, the same types of generations, so we would need to address the needs of the overall market as it is evolving."

He adds that the age range for advisors is falling as older preconceptions about the need for a few grey hairs and established networks are being eroded over time. "Whereas it was thought that you must be at least 35 before you can begin to succeed in this arena, we are now seeing many been successful advisors aged from their late 20s to early 30s as well," he reports.



**MICHAEL ENRIQUEZ**

Sun Life

**STEP BY STEP**

He adds that clients often prefer to acquaint themselves with the products, building their cover and investments on a gradual basis. “The industry has been supportive of the education efforts, as well as the thrust to lower the entry point for products, because clearly not everybody, even the HNW clients, would want to invest large amounts immediately, so building in tranches, regular pay products, lowering the minimums, all these help them build confidence and then prepare themselves better to later hopefully achieve financial freedom.”

He turns his attention to regulatory developments in-country, noting that, for example, the Insurance Commission allows insurers to access Dollar-denominated instruments to back their local Peso or dollar liabilities, and facilitate derivatives to hedge the Peso exchange rate exposure. “this is simply an example of what is positive progress on the regulatory side,” he comments.

**Getting Personal with Michael Enriquez**

Born in Manila, he enjoyed all his schooling in the metropolis before completing business management at Ateneo Manila University. He began his working life as an equities trader, starting in 1996, just before the Asian Financial Crisis. He did however stay in equities for five years before moving to become a bond trader at Citibank in Manila, working for the consumer treasury group supporting Citigold, a role he handled for roughly seven years. He then moved to ING Investment Management heading the Equity Portfolio Management.

Although married since 2007, the couple do not have children, which frees Enriquez up to pursue his great love of extreme fitness. “I am a fitness addict,” he reports, “so weekends are often spent doing marathons, triathlons, and endurance cycling. I have even done the half Iron Man, and that was plenty!”

He is also passionate about wine and has been taking specialist wine courses. Unsurprisingly, given this love, the couple travel to France every year to enjoy the culture, architecture, cuisine and of course some fine wines.”

“And on the demand side, we have seen a growing demand for Dollar-denominated products, given the fact that over the last five to seven years, domestic assets have underperformed global assets.”

**AN INCREASINGLY GLOBAL OFFERING**

This is translating to significant growth in Sun Life’s global funds. Moreover, Enriquez notes what he calls “growing clamour” for structured products, driven by the hunt for yield. “Financial assets clearly do not give that much currently for the risk clients are taking, so they are looking for alternative products to enable them to move up their portfolio yields. Even local government securities don’t yield so much today, and the better quality domestic corporate bonds offer little credit spread over governments. This is all driving

demand for more interesting products and for currency diversification, especially to dollars.”

Enriquez would like to see the local SEC be more open to liberalising how mutual funds can launch faster so that offerings can be more accurately tailored to market conditions and general client demand. “The SEC takes a lot of time to review, especially for foreign-denominated assets, and for all types of assets, local and foreign, we would prefer a faster approval process. Hopefully, this will happen.”

He touches on fees and agrees that there is always pressure on management fees. “Clients question why there are still fees if the fund is underperforming,” he comments, “so one way to address that is performance, and the other way is economies of scale to help fees ratchet down. But overall, I would

say it is evidently not acceptable any more for fund managers onshore to still be charging 2% to 2.5% for an equity fund, where a counterpart offshore would charge perhaps 50 basis points, or even less.”

Enriquez sees the need for advances in several key areas in order for the market to take its next big leap forward. “Continuous education and financial literacy

are required, and Sun Life has long been at the forefront of this effort,” he reports. “This is something that all our clients would need to embrace, so they appreciate which products suit their needs. We have financial needs analysis that is being rolled out on a regular basis through the sales training effort, which emphasises the solutions-based approach rather than pushing products to the clients.”

He closes the main discussion by reiterating how positive he is about the industry in the Philippines. “We are a highly populous, young country with an incredible future ahead,” he concludes. “Life insurance and more professional asset management are at the heart of the drive to encourage greater financial independence and security. Sun Life is at the cutting edge in both these vital areas.” ■

## An Improving Philippine Economy in 2020 – Views from Sun Life’s CIO

Sun Life Asset Management Company, Inc. reported in early December that the Philippine economy is poised to get better and grow faster in 2020. “After reviewing the fundamentals, we are confident that the economy is set to significantly improve in the coming year,” Sun Life Chief Investments Officer Michael Enriquez said at the time. “While we can still expect challenges along the way, these should be tolerable and may be balanced by the positive developments.”

He was of course right about the challenges along the way, as nobody would have imagined the global anxiety and dramatically reduced tourism and economic activity in many sectors as a result. However, his assessment in late 2019 was very valid, at least after eliminating the Covid-19 effect.

Among the factors that he reported were expected to boost the Philippine economy in 2020 are lower prices and accelerated government spending. “While inflation fell to a low of 0.8% in October 2019, we expect prices to slowly inch up as we foresee the year 2020 inflation at 2.4%. This figure is much lower than 2018 inflation of 5.21%,” Enriquez said.

Meanwhile, the firm anticipates higher gross domestic product (GDP). According to Enriquez, Sun Life looks forward to a 2019 GDP of 5.8%, and expects the 2020 GDP to be up as much as 7%, although that was before the shock news of the global coronavirus scare. Also in December, Enriquez indicated that a range of PHP 50.70 to PHP 52.50 to the US dollar is probably.

On the equities front, while 2019 remains to be a fairly volatile year, Sun Life expected the Philippine Stock Exchange index to end 2020 at 8,500 with a price-earnings multiple of 18.2 times. Given the global outlook at that time, Enriquez said the firm encouraged investors to stay the course.



## Sun Life's 125 Years of Commitment to the Philippines

On February 17th, Sun Life of Canada (Philippines), Inc., the longest-standing life insurer in the Philippines, announced it was celebrating its 125th anniversary of operations in the country, having first opened in 1895. The company announced the celebrations would be themed 'Beyond Lifetimes', as a testament to its longevity in the country and to reiterate Sun Life's commitment to its purpose of helping Filipinos achieve lifetime financial security and live healthier lives.

As part of its celebration, Sun Life said it will be showcasing stories of Sun Life clients that highlight the authenticity of its purpose. One such story is that of the Sy Family of Cagayan de Oro, which has been a Sun Life client for six generations already. Having trusted the company to help secure their future since 1907, Sun Life said the Sy Family perfectly exemplifies the company's promise to be a lifetime partner to its clients. Their inspiring story will be among those featured in digital short films in Sun Life's social media in the weeks and months ahead.

The company said it is continuing to aim to transform with the times by offering products and services that are ever relevant today. For example, among its latest initiatives is Sun Cancer Care, a specialised health insurance plan that provides cash benefits upon diagnosis of a covered early and late stage cancer, as well as for treatment and recovery. Meanwhile, the Sun Life Prosperity Funds are now available online, so those who wish to invest in mutual funds may do so conveniently. Paperless application and straight through processing may also be enjoyed by clients who will avail of select Sun Life products, the company said.

The company has also been continuing its long tradition of helping ordinary people in their daily lives through more education and other initiatives. "All of these offerings aim to strengthen our relationship with the Filipino people and reiterate our commitment to helping them achieve a brighter future," Sun Life CEO & Country Head Benedict Sison said. "We shall always strive to elevate the quality of the advice we give, offer more holistic and relevant solutions, serve our clients anytime and anywhere, and engage them through more meaningful interactions."

Sun Life Asia President Léo Grépin highlighted the importance of the Philippines to Sun Life's success in the region today. "Sun Life Philippines is a crown jewel in our business. To be the first life insurer 125 years ago and the leading insurer today is testament to our commitment to Filipinos through thick and thin, to a company culture focused on delivering for our clients over their lifetime, and to generations of employees and advisors who have led the evolution of the industry in the Philippines," Grépin said.

Sun Life's 125th anniversary comes on the heels of another milestone, having built a community of 5 million Sun Life clients nationwide. And with its financial advisors now over 20,000 strong across the length and breadth of the country, the firm's reach is ever more extensive.

