

Taking the Philippines funds market to the next level

Regulations that promote the growth of the investment funds industry are needed – as is awareness about savings, especially among Millennials – if the Philippines asset management industry is to evolve to the next level.

Education and regulatory changes could drive growth in the nascent investment funds industry in the Philippines, according to senior executives at BPI Asset Management.

“When you look at the demographics and the emergence of Millennials, it’s clear that will be a large part of the future investment landscape,” says Allen Martin O. Dee, head of investment solutions at BPI, which is the largest trust corporation in the country, with over PHP580 billion in AUM.

“But right now, they are just not there,” he adds, referring to the penetration rate of Millennials to investment products.

Educating the younger generation on the importance of savings and having investment goals is critical to the future growth of the asset management industry.

While the BPI group already has several education investor programmes, Dee says the firm is looking at making the education more targeted and specific to this segment.

Indeed, at a separate Hubbis roundtable with leading gatekeepers in Manila, the consensus was that to catch the attention of Millennials, the use of social media and digital technology is necessary.

Some experts also believe that encouraging online investing is crucial to reach out this group as well as enable overseas Filipinos to invest in the local market.

IN-HOUSE VERSUS OPEN-ARCHITECTURE

Yet the fact remains that currently, fund penetration even for large fund houses such as BPI, remains very low – less than 1%, despite offering a reasonably



ALLEN MARTIN O. DEE
BPI Asset Management

diverse range of 30 fund offerings. “We want to ensure that every category of investor is covered, so we have the most



SMITH CHUA
BPI Asset Management

architecture platforms but there have been no steps in that direction yet. (These are much more common in developed markets such as Hong Kong and Singapore.) Of course, even in the Philippines, there are small segments of the market where open architecture exists, including within global private banks such as Citi, and some brokerages, but it is still not an industry framework.

Operations officially commenced under the new entity on February 1. A stand-alone trust corporation has fewer investment restrictions compared to a trust entity within the bank.

“Clients can have a higher concentration of funds in certain paper if they wanted to or we can increase the level of prime AAA or AA papers in our portfolios without breaking any parent

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conservative investment to the riskiest ones,” says Dee. That is different from other bigger rivals such as BDO and MetroBank, who are focused mainly on money market funds.

In contrast, BPI wants to offer a broader and more complete solution set to clients, he adds. Among its offerings are five offshore strategies – two fund of funds, two feeder funds and one sub-managed fund.

While the fund of funds is essentially open architecture, where BPI invests in different fund managers, the rest of the products are sold via its group banking network.

The situation is unlikely to change any time soon as regulations are not conducive for open architecture platforms. According to various market participants, the BSP (central bank) has been thinking about permitting open

As a result, for now, the focus remains the in-house distribution network.

“What we have done differently is that we are creating more channels, such as the online and mobile routes, which make it easier for clients to invest in our funds,” explains Dee, adding that the asset manager is one of the first to have automated systems where clients can transact funds on their device.

“Investors can open an online account and there is an investment funds section in the BPI app or website they can use,” he adds.

More broadly, an organisational change is expected to improve the investment process at BPI. In late 2016, BSP gave its approval to spin-off BPI AM and Trust Group into a new stand-alone trust corporation, named BPI Asset Management and Trust Corporation.

group regulations,” notes Smith Chua, chief investment officer.

Nevertheless, the BPI duo also point out that all trust businesses have to undertake rigorous checks on client and product suitability before recommending any investment solution.

“If a client has an aggressive risk profile, there is a certain set of products we can recommend; we also have to assess whether clients have a clear understanding of those products, and if they don’t we provide them with our views,” adds Chua.

Yet because of the nascent stage of this industry and the incentive structure, the focus for most players remains on selling single products as opposed to having a needs-based conversation and offering an appropriate solution to cater to long-term investment goals. ■