

# THE SIA, LEXUS AND SAMSUNG OF ASSET MANAGEMENT?

Gerard Lee of Lion Global Investors talks about how the SIA, Lexus and Samsung of asset management can be created.

**“Why is it that in the asset management space, no indigenously owned Asian asset management company has been able to dominate the scene?”**

Asia is an innovative region that is always striving for excellence. It has historically been one of the regions with diligent and meticulous people and innovative businesses that made efforts to produce goods & services that would be revered by the world. Their focus & dedication has brought them quite a lot of success in varied fields.

Not only has Asia created great companies but also perfected management & production techniques. Systems like Kaizen, Total Quality Control and Kanban are direct results of efforts made by Asian companies, to produce high quality products at the lowest possible costs. These techniques or a variation of them are used in various companies in the Europe and America today.

At the forefront of Asian innovation and quality are companies like Singapore Airlines, Lexus and Samsung. The products and services of these companies are in demand globally, they've taken over their local markets and in most cases they're giving tough competition to products manufactured in their target markets.



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However, Lee points out that this isn't the case with companies in the asset management space in Asia. The leaders aren't indigenously owned asset management companies but are companies who have come to Asia from abroad. It is a case that needs a little attention because understanding why the Asian companies are struggling will help determine and logically understand the future course of action.

### What got you here won't get you there

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Lee has been observing what has been happening in Asia for a long time. He has seen the success and the growth of the manufacturing and service companies as well as the fight that was put up by the Asian Asset Management companies to gain market share. It seems that what worked for the other companies in Asia isn't something that is going to work for the companies in this industry because of the dynamics involved.

## “The capital markets in Asia are still being liberalised. You need licences to enter these markets”

In Lee's opinion, one of the reasons was the movement of hot money into developed economies. If at all it did come to Asia, it was only part of the total because they invested in “emerging economies” of which Asia is only one part. This obviously put Asian Asset Management Companies at a disadvantage because they didn't have access to an important channel of funds.

Though many Asian asset management companies didn't have a track record of success, Japanese firms like Nomura & Nikko did. In retrospect, they realise they didn't make much of an effort to attract investors from abroad. Their research papers & marketing brochures were all in Japanese while the Western world would only have confidence in documents made available in English.

Even without hot money, the asset management companies would stand a chance to secure funds and

grow if there were monies available domestically. This is often how asset management companies in other countries have traditionally grown.

They have all had endowment funds and pension funds that would invest and help grow the pool of assets under management. However, even this wasn't available in Asia. Some countries didn't have the funds, and others, like Singapore, had governments that controlled the investment of those funds.

Lee believes that apart from Japan, the other two countries that could produce big Asset Management Companies didn't enter the industry until recently. He's referring to China and Korea. He is cognizant of the efforts that companies like Mirae Asset Management are making but they seem to be too late and have a number of insurmountable obstacles in front of them.

### Grow or buy

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In Lee's experience, there are two possibilities for Asian Asset Management Companies going forward. They can either grow organically or they can take the more sophisticated path of buying other companies in target markets. Lee is in favour of buying other companies and prefers the Mergers & Acquisitions approach.

To grow organically, the companies would need to put in a great deal of effort. They would need to go where the smart money is and convince the companies there to invest with them. It will be a slow process. There will be some victories which will help build a track record to showcase to others. Eventually, there is a good chance that Asian companies might organically become a dominant player in the market.

The mergers & acquisitions approach is rather quicker. In countries like Singapore, firms will consolidate and create larger and stronger entities. However, real growth and massive traction can be achieved only when Chinese asset management companies, who are the ones who have access to cheap funds, buy firms in Hong Kong, Singapore and Australia in a concerted effort to gain prominence.

Lee is looking forward to the changes and is waiting for the big guys in North Asia will come down and swallow the small guys in South-east Asia. M&A isn't very difficult and it is something that seems very feasible as an idea. Asia isn't known to be timid, so brave moves are expected. Only time will tell what will be attempted and achieved.