

# Trident Trust - Full Steam Ahead for the Asia Funds Express

As what has been a thoroughly unusual year draws to a close, Trident Trust's Tony Kan surveys the Asian alternative investment landscape, ranging his learned eye across the trends of the last decade, the impact of the domineering Covid-19 virus on the market, and ultimately seeking to address the question of whether the fallout of the virus will see a dramatic shift in the course of the 'Asia Funds Express', or if it's merely another stop along the way?

BY:

**TONY KAN, Managing Director of Asia Funds  
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The alternative investments industry in Asia is no stranger to global shocks. It grew rapidly after the 2003 SARS epidemic and roared back following the 2008-9 financial crisis. The last decade has seen strong growth – Hong Kong alone attracted over 1,000 regulated asset managers to its shores between 2010 and 2020. But by 2019, economic and political challenges had started to emerge, such as the trade tensions between China and the US. And when the Covid-19 pandemic hit, what was initially a challenging environment became a very difficult one. So, has the Asia Funds Express come off the tracks? Or is the pandemic just another stop along the way?

“Around 30 to 40% of an institutions’ private investors will not invest in first-time funds when they haven’t met the manager, for example,” Tony Kan, Managing Director of Asia funds business development at Trident Trust, says.

**“Managers will be placing more importance on quality. At the end of the day, the investors are the stakeholders of the funds and managers must report to those investors. So, managers will always be under increased scrutiny as to the strength and quality of their service providers. We are certainly seeing the start of a bit of a market shake-out in this respect, with increased enquiries from both managers who already have an appointed fund administrator and those who do not.”**

“So, fund managers coming out to the market and looking to launch funds aren’t able to see their investors. Everything has had a negative hit, and the same goes for private equity funds, where investors have had to default on committed capital. Back in March, we saw asset prices down by 20-30% of the market. The Hong Kong government pumped USD137



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billion into the market and lowered interest rates. Everyone has had to adjust in the short term.”

### **Industry Will Bounce Back**

But Kan also believes that the industry will bounce back, even stronger than before. And the numbers back him up. Research from PwC in 2019 stated that total assets under management in APAC would grow faster than any other region globally, hitting USD29.6 trillion by 2025.

### **Good Deals**

The alternatives sector now manages more than USD3 trillion, with the last quarter seeing a significant rise in global hedge fund assets, as investors funnelled money into strategies that profit from dislocations to markets.

And confidence in the real assets market remains robust, with many PE and RE fund managers being flexible in their approach – and sensing that this period of uncertainty is an excellent time to do good deals with many asset holders under financial pressure.

### **Flight to Quality**

“Of course, the pandemic had a major impact globally,” Kan says. “But from our business point of view, it hasn’t affected our operations side, and that all comes down to our business structure.” In these uncertain times, he points out, investors will be likely to take an increasingly quality-driven approach, with increased scrutiny of fund managers’ infrastructure, governance and processes.

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“The last few months have really spotlighted the importance of service and capability and some managers have clearly not been happy about what that spotlight has shown. Meanwhile, many managers who had previously been handling administration in-house have realised this is not a message many investors want to hear. We feel very confident about all of this; our culture and private ownership has meant we have been able to take a quality-first approach to everything we do. Now is our time to shine,” he adds.

### China Opportunities

And one big change, in particular, is likely to give the alternative funds industry a boost. China is keen to encourage foreign firms into its USD2.2 trillion domestic financial markets. Previously, it was hard for international investors to access these markets, as they were only able to enter into joint ventures with domestic entities.

But in April 2020, China removed the 51% cap on foreign ownership of investment firms. According to a recent Fitch report, three international investment managers have applied for onshore licenses, while a fourth was in the process of buying out its joint venture par trillioner.

One investment manager, BlackRock, has had its application case accepted – a development which Fitch says is ‘highly significant for the presence of international investment managers in China.’

### Lessons From The Past

Of course, in this rapidly changing world, nobody can foresee the future. But if the past is a guide, chances are that the challenges of 2020 will drive further innovation. “One of the lessons we learned from the SARS crisis is to have the right people in place – because once the crisis is over, you are going to see a major boom,” says Kan. “You’re going to see funds actively engaging again.”

In fact, the tough conditions caused by the SARS crisis were responsible for creating the Asia hedge fund market in the first place, by stimulating innovation. In 2000, fewer than 200 hedge funds existed. By 2005, there were more than 800 and by the end of 2019, there were 1,469, managing assets worth USUSD183bn.

### Back On The Tracks

“I have huge confidence in the Asian markets and the funds business,” says Kan. “In many ways, it’s business as usual. But we have to find new ways to operate our business, just like we always have. We understand managers’ culture. We understand how business is done across different markets across Asia, including in China.

We know there will be huge scrutiny, and we are ready. Markets have always bounced back and fund managers have always pivoted to raise money. We’re in this for the long-term.” The Asia Funds Express is already back on the tracks – and picking up speed.

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### Getting personal with Tony Kan

Tony Kan is Managing Director of Asia Funds Business Development at Trident Trust’s office in Hong Kong. Tony’s career in the alternative investment fund space spans more than 20 years, working for both international banks and specialist fund services providers in Europe and Asia. Based in Hong Kong since 2000, Tony advises hedge funds and private equity funds on a wide range of operational and administrative matters through the entire fund lifecycle, from pre-launch to winddown. He is a frequent speaker at fund industry conferences and investor roundtables and holds a B.A. (Hons) in Finance.