

Managed Accounts and Asia: Tailored for Asia's investment management needs

Managed accounts are tailored, transparent investment vehicles for individual wealth clients. The market is now worth \$5 trillion in the US alone, but Asian investors are only beginning to understand their advantages. Anthony J. Harper, CEO & Co-Founder of Axial Partners highlighted their key features.

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THE EVOLUTION OF THE ASIAN WEALTH MANAGEMENT INDUSTRY is creating an opportunity for fresh concepts such as managed accounts to enter the market, according to Harper, who presented his views in a Workshop at the Independent Wealth Management Forum in Hong Kong.

“There are a number of changes in Asia today that are being driven by regulation, and by the evolving relationships between the wealth manager and the client, as well as by advances in the range of tools available.” While historically, structured products, mutual funds



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and other collective investment vehicles have dominated the wealth management landscape, there is now a steady shift towards fee-based business, advisory business, and discretionary portfolios, where clients are entrusting their chosen wealth manager to look after many more aspects of their investments.

Managed accounts offer Asian investors a new dynamic

“Managed accounts fit ideally into this new landscape,” Harper explained. “They allow the client to see exactly what is in their portfolio, as they are working with their wealth manager to help formulate the strategy for the portfolio, which is dynamically invested and rebalanced over time by a professional money manager.” He added

that in those markets that many consider highly developed in terms of wealth platforms - for example the US or Australia - managed accounts are already very well established and show the opportunity available in the Asia market, where managed accounts are only just beginning to make inroads.

“What we have seen in Australia, for example, “is a set of reforms that emphasised the need to have the advisers more closely aligned with the client, so that the relationship would not be based on transactions or commissions but would be rather based on assets. And that really drove the growth of that market there.”

Harper also highlighted how, despite the managed account sector being worth about \$5 trillion in terms of assets held in the US, the

penetration is modest so far in this Asia region. “Hence, we see an immense opportunity out here,” he stated.

Asian investors warming to the concept

He explained that as they learn more of managed accounts, Asian investors are increasingly warming to their advantages. “They are ultimately discretionary portfolios, so they fit the general trend toward such solutions, but there is one vital distinction - a managed account allows a wealth manager to help the client build a portfolio that uses many different asset managers to create an optimal solution. Whereas discretionary portfolios are usually managed in-house by the proprietary asset management team that is part of

the wealth manager. Asian investors like this extra degree of control and transparency.”

Axial Partners is an independent platform to provide an open architecture service for wealth managers to offer individual investors access to managed accounts in Asia.

Based in Hong Kong, Axial is a Type 9 investment manager licensed by the Securities and Futures Commission.

And Axial is partnering with investment advisers and wealth managers in Hong Kong, Malaysia and Singapore and expanding to cover as much of the Asia region as possible. Axial encourages managed accounts for a wide range of investors. It is not only the ultra-HNW or HNW segments that should consider managed accounts, as they are ideal for modest size portfolios right up to almost institutional scale portfolios.

“We operate a unique platform that is very inclusive,” Harper explained. “The platform enables wealth managers to manage assets in their client’s own managed account, using investment strategies from leading asset managers at compelling low account minimums of \$500,000 or even below, whereas if an investor were to go to an asset manager directly and seek a managed account the minimum might be \$20 million, for example. We also offer solutions for much larger portfolios.”

He added that client accounts can be invested through Axial into a menu of global equity, global fixed income, ASEAN, APAC and other regional equity and fixed income strategies as well as multi-asset class portfolios.

Each account can be tailored, with full beneficial ownership, up-

to-date transparency of holdings, and customised multi-currency reporting.

Tailored, transparent investments

Returning to focus on some of the key advantages, Harper explained that perhaps the most crucial element is that a managed account brings an individual investor a more institutional investment experience.

“As I mentioned, a managed account is tailored for that investor whereas a fund is purchased on the basis of what it has in it already and its strategy,” he observed. “The managed account therefore allows for the investor’s requirements to be set by that client, while using best thinking from world-class asset managers. The portfolio is wholly owned by the client on a beneficial basis and all the underlying holdings and transactions and positions are known precisely to the client at all times.”

Harper also ran through some of the tailored solutions that Axial now offers.

These include individually customised investment accounts tailored to investor needs at the security, sector or market-level. Investors can, for example, set an ethical screen according to their impact investment or other socially responsible investment preferences.

There is single channel to access a network of top-tier asset managers, or a multi-asset manager, multi-strategy menu across asset classes, accessed through a single relationship.

Fee structures also clear for all to see

A managed account also makes the

question of fees a little less complicated and transparent.

Harper cited the example of a mutual fund, where the fee is expressed through the purchase price, and is deducted from the fund’s performance. “That lacks transparency,” he observed, “as the client does not necessarily know exactly what the fee is, or it is difficult to work it out.”

That is in contrast to a managed account, where the fee is a fixed fee agreed as part of a discretionary arrangement between the client and the wealth manager. “The managed account fee is based on the portfolio size and the investment requirements and is agreed upfront.”

Individualised reporting is another advantage. A managed account platform will allow an end client to view all the holdings; because they can see what the underlying holdings are rather than the net asset value clients are less inclined to sell in times of stress.

“Monthly reports are provided in a compliant records-based report,” Harper added.

Customisation options

Harper also highlighted several managed account options, such as the Separately Managed Account (SMA), the Mutual Fund Wrap (Wrap), the Portfolio Strategist and the Unified Managed Account (UMA), each with distinctive features and strategies.

“As you can see,” he told the audience. “There are several distinct types of managed accounts, and there are further permutations off these.” But his overriding message was that Axial’s platform provides access to a variety of managed account solutions at a time when demand for this model is on the rise in Asia. ■