Asset Managers in Asia Vie for Growing Pool of Externally Managed Portfolios

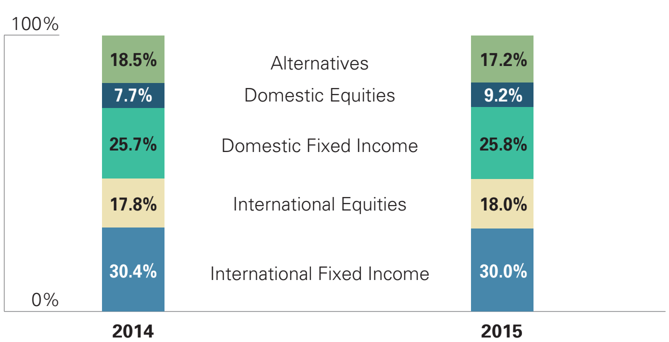
2015 Greenwich Leaders: Asian Investment Management

Q3 2015

Asset management companies continue to enter the Asian market to fight for a share of the region's fast-growing pool of institutional investment assets. Most of these new entrants are following the example set by European and North American firms with an established presence. They are focusing their efforts almost exclusively on the handful of massive Asian institutions that control the vast bulk of these assets.

A small number of asset managers are taking a different path by building much broader franchises that extend well beyond the major financial centers and the sovereign wealth and public pension funds that dominate Asia's institutional asset base. Generally, these are large U.S. or European organizations with extensive capabilities that allow them to build relationships among a wide base of Asian institutions by providing advice on how to structure and manage their portfolios.

Total U.S. Dollar-Weighted Asset Mix



Note: Based on institutions providing asset allocation detail for equities and bonds. Based on funds that answered this question in 2014 and 2015.
Source: Greenwich Associates 2014 & 2015 Asian Institutional Investors Studies

Asian institutions currently control about $11–12 trillion in assets. While most of that money is managed in-house, about $1.9 trillion is open to external asset managers—an increase of over 20% from 2014. Greenwich Associates expects the pool of externally managed assets to continue growing at a steady pace, as institutions in Asia diversify investment portfolios.

However, about 90% of these assets are held by about 25 institutions. As a result, most asset managers target a group of 30–40 institutions from offices in Hong Kong and Singapore. The arrival of new asset management companies in this concentrated market has created intense competition for assets. As recently as five years ago, the firms that succeeded in this tough environment were generally large organizations with high levels of brand recognition. More recently, however, Asian institutions have been diversifying, adding strategies like credit, high yield and regional equities to portfolios previously dominated by domestic fixed income and global equities and fixed income. As they do so, they are becoming more open to managers with strong track records and the ability to explain how they create value—even if their investment committees aren't familiar with the brand name.

Most of the firms on the list of 2015 Greenwich Quality Leaders in Asian Investment Management Service are trying to build a strong presence in Asia by forging relationships with the region's giant institutions as well as smaller institutions outside the major financial centers. "Firms like Allianz Global Investors, BlackRock, Franklin Templeton, and J.P. Morgan Asset Management are demonstrating their commitment to local Asian markets by putting people on the ground to service local institutions," says Greenwich Associates consultant Abhi Shroff. "This commitment is reflected in high scores for these managers on the Greenwich Quality Index."

Greenwich Quality Leaders — 2015

Asian Institutional Investment Management Service Quality

Investment Manager
Allianz Global Investors
BlackRock
Franklin Templeton
J.P. Morgan Asset Management
Wellington

Note: Based on interviews with 112 institutional investors. Quality leaders are listed in alphabetical order.
Source: Greenwich Associates 2015 Asian Institutional Investors Study

These firms are capitalizing on the fact that institutional use of investment consultants remains low in Asia. Only 22% of Asian institutions use consultants for portfolio decisions and manager selection, as opposed to the 80–90% usage levels seen in the United States, United Kingdom and Australia. A handful of asset managers have the resources and capabilities to provide thought leadership and advice at both the portfolio/asset allocation level and within particular strategies.

About two-thirds of Asian institutions say they value and would like to see improvement in managers' ability to provide advice on their broad portfolios. "That demand didn't exist just a few years ago, but now Asian institutions are asking their asset managers for help—giving those managers capable of providing good advice a chance to win new clients and deepen existing relationships," says Greenwich Associates consultant Jivan Sidhu.

Consultants Abhi Shroff and Jivan Sidhu advise on the investment management market in Asia.

Methodology

Between January and March 2015, Greenwich Associates conducted 112 interviews with the largest institutional investors in Asia. Senior fund professionals were asked to provide detailed information on their investment strategies, quantitative and qualitative evaluations of their investment managers, and qualitative assessments of those managers soliciting their business. Countries and regions where interviews were conducted include Brunei, China, Hong Kong/Macau, India, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

The findings reported in this document reflect solely the views reported to Greenwich Associates by the research participants. They do not represent opinions or endorsements by Greenwich Associates or its staff. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results.

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