INTERNATIONAL INVESTMENT

INTERNATIONAL EDITION No. 2

ASIA SPECIAL REPORT

WHAT NEXT FOR THE ADVISER COMMUNITY?

CONTENTS:

News • Analysis • Video • Features

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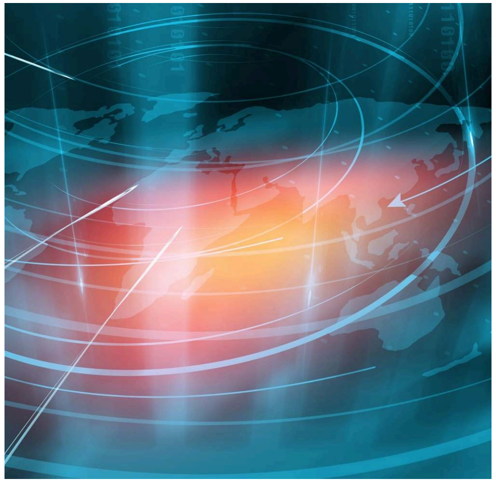

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INTRODUCTION:

A region of vast possibilities

“Uppermost on the Asian regulatory agenda are the challenges of data security, digital disruption – and innovation – and addressing increasing concerns at cyber security”

– Christopher Copper-Ind, Publisher, International Investment

AT THE FOREFRONT

The vast region of Asia is also a land of vast possibilities. The key regional centres of Hong Kong, Singapore, Shanghai and Kuala Lumpur are at the forefront of the world’s financial services industry, and on many measures remain world leaders for growth. Asia is leading the way in other areas, too, such as fintech and innovation.

This year has been marked by uncertainty and the challenge of international regulation that has, in many areas, yet to be fully harmonised. Uppermost on the Asian regulatory agenda are the challenges of data security, digital disruption – and innovation – and addressing increasing concerns at cyber security.

In this ezine we’ll be looking at Hong Kong’s role in the region, and how the territory is reshaping the local industry. Elsewhere, our new correspondent, Pedro Gonçalves, looks at the role of regulators across the region, and the steps they are taking to implement global rules into local markets. We also take a broader look at the region of Asia and how its main international financial centres together form a formidable force in global wealth management.

Our head of video & deputy editor, Gary Robinson, was in Hong Kong recently, where he interviewed both providers and advisers in a special video report. Click here to watch.


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NEWS: GLOBAL UPDATE

Round-up of the latest news
from around the world

HONG KONG

OLD MUTUAL ASIA HEAD LEAVES FOLLOWING FUND MANAGEMENT OVERHAUL

Carol Wong, Old Mutual Global Investors' managing director for Asia, is leaving the company following other recent departures in Hong Kong and changes to its international business structure.

In April this year Old Mutual moved management of two of its Asia funds to a global equities desk laying off the three-strong Asian equities investment team.

Carol Wong had joined OMGI as managing director and head of distribution for Asia in November 2013 to help develop the regional strategy. She had previously worked with BNP Paribas Asset Management.

During her tenure the firm strengthened its China business by hiring Richard Mo to develop relationships with regulators, financial institutions and distributors in the country.

Carol Wong

'Time to move on'

Carol Wong said in a statement that after more than four years with Old Mutual Global Investors, she felt it was time to move on to the next challenge.

The number of individuals licensed with Old Mutual in Hong Kong peaked at 17 in late 2015 but has now fallen to eight, with six of those licences ceasing this year, according to figures from Hong Kong's Securities and Futures Commission.

The changes in Asia follow an overhaul of Old Mutual's fund management business at a head office level.

In September 2017 the company, which manages the funds business, rebranded its multi-asset its multi-asset unit as Quilter and sold off its single-strategy business for £600m. **PG**

CHINA

FRANKFURT'S HQ CAPITAL INKS WEALTH MANAGEMENT PLATFORM DEAL WITH YUANJU CAPITAL

Frankfurt-based asset manager HQ Capital has signed a joint venture agreement with Chinese investment firm Yuanju Capital to create a wealth management platform.

The new platform will be based in China, according to a joint statement by the companies. Yuanju is a multi-strategy fund manager set up by Chinese state-owned asset manager Everbright Financial Holding Asset Management and Chinese private equity fund Prosnav Capital.

The new venture aims to utilise both networks to generate synergies between China and overseas markets, particularly with Germany in order to offer clients more investment opportunities.

Georg Wunderlin, CEO of HQ Capital, said: "The joint venture with Yuanju marks another milestone in the development of our business.

"On top of that, we are confident that our strong German roots and network will be attractive to Chinese investors pursuing opportunities in Germany and worldwide."

Jianju Du, CEO of Everbright Financial Holding, added: "Our strong relationship with the government and financial services regulators in China will be beneficial while navigating our joint venture through the complex Chinese regulatory landscape."

HQ Capital is an independent manager of alternative assets. The firm's 140 employees currently manage $11.3bn in total assets from 10 offices in North America, Europe and Asia. **PG**

HONG KONG

PRUDENTIAL PUSHES PAPERLESS HEALTHCARE CLAIMS PROCESS

Prudential Hong Kong has updated the digital capabilities to its healthcare policies with the introduction of a streamlined and paperless hospital claims process.

The global insurance giant has revamped its Hong Kong healthcare operation with the introduction of a new 'Hospital to Prudential' portal and an artificial intelligence operated 'Chatbot Claims' platform that it believes will transform the way that healthcare claims are dealt with in the region.

"In this digital era, customers increasingly demand a convenient, reliable and secure insurance claims experience," said Sam Lim, chief transformation officer of Prudential. "These innovations respond to customers'

evolving needs and herald a milestone in the evolution of insurance claims in Hong Kong. We are confident our digital innovations will create new standards in the industry."

The "Hospital to Prudential" portal update – which went live on July 3 –means that upon admission to designated hospitals, patients now only need to input basic information including their name, HKID number and contact phone number and the claim process will commence immediately.

After the patient is discharged, the hospital claims documents will be encrypted and submitted electronically by the hospital via the portal to Prudential for processing, the company said in a statement announcing the initiative.

Prudential has also extended its chatbot capabilities to enable financial consultants to submit hospital claims for customers via Chatbot Claims.

By interacting with the AI chatbot on their tablets, financial consultants will receive an instant response from the chatbot regarding the required data and documents. This platform will significantly reduce the claims submission time to as little as three minutes, or by 75%, compared to paper-based submissions, the company said.

Chatbot Claims will support more than 90% of Prudential's medical protection products and will help financial consultants process claims of any amount.

Prudential has been in Hong Kong since 1964, with a range of financial planning services and products including individual life insurance, investment-linked insurance, retirement solutions, health and medical protection, general insurance and employee benefits.

Globally, Prudential plc has more than 26 million insurance customers and £669bn of assets under management as at 31 December 2017. Prudential plc is listed on stock exchanges in Hong Kong, London, New York and Singapore. GR

AUSTRALIA

AUSTRALIAN FUNDS TO TARGET ASIA'S WEALTHY AFTER NEW LEGISLATION

Australian investment funds will be allowed to be marketed across Asia through a new so-called passport agreement.

Both houses of the Australian parliament passed legislation that will allow investors to tap into Asia's growing affluent and middle classes under a funds passport agreement between five Asia Pacific nations.

The passport is valid in Australia, New Zealand, Japan, South Korea and Thailand.

"This offers our fund managers the opportunity to tap into Asia's expanding middle class and increasing numbers of high-net-worth and ultra-high-net-worth individuals," Minister for Small and Family Business, Craig Laundy, said after the legislation was approved by parliament.

The new rules will allow Australian managed funds to become passport funds and sell their products to the other participating countries.

“Australian fund managers will be able to sell a single product across Asia and achieve greater economies of scale. This should allow lower costs for consumers,” Minister for Revenue and Financial Services, Kelly Megan O'Dwyer, said in a speech.

Australia’s Financial Services Council (FSC) had called on the government to consider “vital tax reforms” before the legislation was tabled, claiming Australia’s “complex” withholding tax system for fund management companies raises little money “but harms competitiveness”.

“If withholding taxes are not reformed, Australia’s fund managers will be at a major disadvantage in the passport,” FSC boss Sally Loane said. “This is because many investors in passport countries will avoid Australian funds and choose to invest in a foreign fund with a simpler withholding tax.” **PG**

ISLE OF MAN

AILO CEO RETIRES AFTER 47 YEARS IN THE INDUSTRY

The Association of International Life Offices (AILO) has announced the retirement of its CEO, well-known industry figure Alan Morgan-Moodie.

Morgan-Moodie will stand down as CEO at the AILO AGM in October. Bob Pain, who has been AILO’s chair since 2015, will assume the role of CEO and interim chair until a new chair is appointed.

Morgan-Moodie has held the position of CEO since 2010, prior to which he was AILO’s chair for six years. He has also been a director of Monarch Assurance plc, a founder member of AILO 16 years ago.

His career in the industry began in 1971, with a stint at Abbey Life Assurance Company in Scotland as a group pensions consultant. In 1986 he moved to the Isle of Man to set up Albany International Assurance Limited and has remained on the international scene ever since, helping to set up Sun Life International in 1992, where he was the sales & marketing director.

After that he set up his own consultancy, Morgan-Moodie Associates Limited.

“Over several decades I have seen endless change and development in this dynamic industry,” he said. “I am proud to have been a part of it and to have helped influence its direction in many ways. Although I am standing down from my official capacity within AILO I will remain close to the Association that I have been a part of since its first meeting on the Isle of Man in 1987, when it was called the Offshore Life Offices Association.” **GR**

UNITED ARAB EMIRATES

HOLBORN ASSETS' LICENSE REINSTATED AFTER UAE INSURANCE AUTHORITY SUSPENSION

Dubai-based Holborn Assets Insurance Brokers has had its UAE Insurance Authority license reinstated after it was suspended for a period of three months.

A spokesperson for Holborn Assets said that it was now "business as usual", in the UAE, declining to comment further on the matter. The IA had issued a circular confirming the suspension for a period of three months or until it is satisfied that the company has improved its performance. Holborn Assets confirmed that it has been able to have the ban lifted after less than a month.

According to Dubai-based sources at the time the IA also wrote to regulated insurance companies notifying them of their action.

The IA website document which is dated June 17 was entitled 'Circular No. 29 of 2018 concerning the suspension of Holborn Assets Insurance Brokers from practising the profession of insurance brokerage', in which it confirmed that the company had been suspended.

The decision to suspend the company was taken following a report to the regulator that Holborn Assets Insurance Brokers had sold a savings or bond policy to a resident within the UAE from a life office that was not licensed by the IA.

The move underlines the IA's tougher stance on rule breakers, as it bids to bring the region's financial services in line with other jurisdictions. **GR**

HONG KONG

HONG KONG IS THE MOST EXPENSIVE CITY FOR EXPATS

Soaring rents make Hong Kong the costliest city to live in for expatriates among 209 cities worldwide. The relative bargain when it comes to burgers and movie tickets is not enough to balance the high accommodation costs, according to a study from Mercer.

The city of skyscrapers had dropped to second place last year behind Luanda, Angola's capital. Tokyo is the second most expensive city followed by Zurich and Singapore, with Seoul in fifth.

This means that four of the world's five most expensive cities for expats are now in Asia.

Soaring rental costs are the major reason Hong Kong outpaces other cities when it comes to the expatriate lifestyle. A two-bedroom flat of international standard goes for $7,671 per month in Hong Kong, compared with $5,700 in New York and $5,100 in Luanda.

Even a coffee is among the most expensive in the world. At $7.74 for a cup, it outpaces Luanda at $3.34 and London at $3.92. The only city with more expensive coffee is Seoul, at $10.

A litre of milk goes for US$3.78, double the price of London, Dubai and Paris.

However, Hong Kong is one of the cheapest cities to get a burger. A fast food burger meal will run you $4.83, compared with $6.30 in Tokyo, $8.19 in Sydney and $12.87 in Luanda.

A movie ticket will set you back $14.71, which is cheaper than London, at $23.48.

Mercer's annual survey rates prices on rental accommodation, meals, and entertainment among a measure of 200 daily necessities in comparing the living cost for expatriates in cities worldwide. **PG**

UNITED ARAB EMIRATES

ABU DHABI TAX INCREASE SET TO HIT MORE THAN 2.3 MILLION EXPATS

The introduction of a new tax hike in Abu Dhabi could see more than 2.3 million expats receiving significantly higher rent bills following the state-wide introduction of larger municipality fees.

The municipality fee was originally announced in February 2018, but charges weren't implemented until June. The increase in taxation relates to how annual rental is charged rising from 3% to 5% with the exception of residential villas, which are subject to a 7.5% charge.

ADDC, the company responsible for collecting the fees on behalf of the Department of Municipal Affairs and Transport, said in a statement on their website that although the total fee applies from the first day of the rental contract, the annual fees are broken down into monthly instalments in a bid to make payments easier to afford.

As a result, households will receive a municipality fees bill each month, in addition to water and electricity bills.

Exemptions

Emiratis, those who own their homes and people under both direct and indirect government employment, will all be exempt from the rule change. As well as bringing in additional income, the move is hoped to discourage renting and that the advantages of purchasing real estate will become more prominent for foreigners working in the UAE.

In Abu Dhabi there are 550,000 UAE nationals in the city and with an estimated population of around 3m people, the change will hit the estimated 2.3m-2.5m expats the hardest.

This change comes on the back of a series of tax reforms, as reported in *International Investment*, occurring throughout the UAE over recent years as it bids to make the transition away from a largely oil-based economy. **GR**

SINGAPORE

HONG KONG LAGS BEHIND SINGAPORE IN ASSET MANAGEMENT BUSINESS: REPORT

Hong Kong is trailing behind close regional competitor Singapore in the asset management business, according to a report from research specialists *Asian Private Banker*.

Hong Kong managed $31.8bn in private wealth compared to Singapore's $53.4bn. Singapore also has more independent asset managers (IAM) with an estimated 90 IAMs whilst Hong Kong is home to 70 IAMs.

However, a growing number of high-net worth individuals settling in Hong Kong may propel the city through the rankings as Hong Kong emerges as the ninth richest in the world and third richest in Asia, according to Knight Frank's 2018 City Wealth Index. Hong Kong, together with China, is home to 5,140 individuals who are each worth over $50m. That accounts for 14.33% of Asia's ultra-wealthy population.

The report also sees a rise in the asset management business in Asia, with opportunities in the near-horizon.

"Notwithstanding challenges, including recent regulatory initiatives, the model of independent asset management has drawn attention from end-clients and financial institutions across the Asia-Pacific region," the report said.

The report added: "In Thailand, independent asset managers and local banks have become increasingly interested in partnering with international banks, while the prospects for independent asset management markets in Mainland China and Australia are also promising."

However, Europe still leads the global asset management rankings with 2,500 firms operating in Switzerland alone to manage an estimated $430bn in private wealth. **PG**

UNITED ARAB EMIRATES

ABU DHABI LAUNCHES CRYPTO ASSET REGULATORY FRAMEWORK FOR MENA REGION

Abu Dhabi Global Market (ADGM), the International Financial Centre in Abu Dhabi, has launched its framework to regulate spot crypto asset activities, including those undertaken by exchanges, custodians and other intermediaries in ADGM.

The development follows the successful completion of a public consultation on the introduction of a robust crypto asset regulatory framework by ADGM Financial Services Regulatory Authority (FSRA) on 28 May.

The framework is designed to address the full range of risks associated with crypto asset activities, including risks relating to money laundering and financial crime, consumer protection, technology governance, custody and exchange operations. This new framework is one of ADGM's efforts to bolster the economic diversification of Abu Dhabi.


Richard Teng, ADGM

Feedback to the public consultation has been very positive, with local and global respondents highlighting the comprehensive nature of the proposed regulatory framework. Taking into account constructive comments from these respondents, several refinements have been made to the regulatory framework, with a key change being the implementation of the Daily Value Trading Levy imposed on Crypto Asset Exchanges on a sliding scale basis.

Global interest

Richard Teng, chief executive officer, FSRA of ADGM, said: "We are encouraged by the significant global and regional interest from exchanges, custodians, intermediaries and other institutions to our crypto spot regulatory framework. Globally, responsible crypto asset players are seeking a regulatory regime upholding high standards that foster market confidence.

"The FSRA is taking a leading role in instilling proper governance, oversight and transparency over crypto asset activities, positioning ADGM as a destination of choice for crypto asset players. Our engagement with fellow global regulators also validated our position that key risks have to be addressed for crypto assets to be more widely accepted and institutionalised." **CCI**

INTERNATIONAL INVESTMENT

OVERVIEW: EASTERN PROMISE

Christopher Copper-Ind explains how competition and demographics are driving growth across the region

EASTERN PROMISE: AN OVERVIEW OF ASIA'S LEADING ECONOMIES

Asia is home to many of the world's leading international financial centres. Hong Kong, Singapore, Kuala Lumpur, Shanghai and Mumbai are vibrant centres for innovation. Their tradition of low taxes has allowed the banking and wealth management industries to thrive. A long-standing openness to the world means trade is open and thriving, increasingly aided by world-beating logistics and shipping infrastructure.

These cities, much more than their wider or neighbouring countries, stand out for their adaptability, and their ready embrace of change. They are themselves both increasingly interconnected and arch rivals; competing for the world's business, trade and ideas. Indeed, in terms of their competition beyond Asia, their main rivals are as far away as London and New York, with few other contenders.

The city-states

The city-state of Singapore is widely ranked as the world's most open economy, and the most business-friendly. It is home to the second-busiest port in the world.

Its GDP is $349bn, which rose 3.6% in 2017. And financial services, and more specifically wealth management, make an enormous contribution to the economy, accounting for almost 70% of Singapore's GDP in 2016.

Hong Kong, the semi-autonomous region in Cantonese-speaking China, has long defined itself as China's gateway to the world. Its years as a British colony leant it English and an open system of finance and governance at ease with the wider world.

For many years, this system worked to mutual advantage with mainland China, which remained by contrast closed and secretive. Times have now changed, and since the UK's handover of Hong Kong to the Chinese in 1997, the territory's status is becoming less assured. Some see a rising Shanghai as a viable (and Beijing-backed) alternative to more free-spirited Hong Kong. Yet most think "one country, two systems" principle will endure. For whatever political and economic challenges Hong Kong may be experiencing, it is still the goose that lays the golden egg. Its main rival is not in China at all, but across the South China Sea on another island, Singapore.

"The Asian middle class is set to balloon by a staggering 2 billion people by 2050"

Laith Khalaf, Hargreaves Lansdown,

In 2017, Hong Kong's GDP reached $340bn, just shy of Singapore. With growth YoY of 3.7%, it pipped Singapore by 0.1 percentage point in 2017. The Index of Economic Freedom ranks Hong Kong's economy as the freest in the world, and ranked the territory as number one for economic performance in 2017.

Under British rule in the 19th century, Hong Kong accrued rapid wealth on the back of the opium wars, and its strategic position during a nascent surge in trade between east and west. HSBC, the Hongkong and Shanghai Banking Corporation, was founded in 1865 by Thomas Sutherland to facilitate this surging trade. That surge is returning in the form of new wealth across the continent. In February, HSBC posted pre-tax profits of $17.2bn, of which a staggering $15.3bn were generated in the bank's Asian markets. Together, these markets saw a rise in profits of 89.3% on 2016.

These figures came before HSBC launched a revised strategy specifically for Asia. Just last month,

the international banking giant’s new CEO, John Flint, announced a renewed focus on, and expansion in Asia, after several years of retreating from markets in other regions. HSBC will not find itself alone. Other banks and wealth management firms are increasing their presence in the region, which is home to more HNWIs than any other. Almost every sizable city from Shanghai in the east to Mumbai in the west has seen almost unprecedented wealth growth in the past 10 years.

Laith Khalaf, senior analyst at Hargreaves Lansdown, told BBC News that the philosophy underscoring HSBC's focus on Asia was clear: "The Asian middle class is set to balloon by a staggering 2 billion people by 2050."

He cautioned, however, that: “This approach comes with risks attached. The strength of HSBC's share price over the last two years has a lot to do with better-than-expected economic performance from China.”

Khalaf warned: “That's all well and good, but this cuts both ways, and looking forward, if China sneezes, HSBC is going to catch a nasty cold.”

Other centres

Other centres are paving the way for their own growth, with Shanghai embracing capital markets, and Kuala Lumpur orienting more to logistics and offshore finance. Malaysia’s Labuan International Business and Finance Centre, run by the government in the form of the Labuan Financial Services Authority, was set up as a special economic zone in 1990.

Labuan, strategically positioned off Borneo and between India and China, has become a major centre for international finance. Labuan IBFC presents itself as a mid-shore IFC,

with services tending to focus on investment structures facilitating cross-border transactions, HNW expatriate, sharia-compliant investing, trusts and wealth management needs.

Malaysia is the world leader in Islamic finance, and has seen enormous growth since it was first trialled in 1963. Indeed, the country has carved out a lucrative niche for itself, with few other major rivals in the region specialising in sukuk (Islamic or shariah-compliant bonds) and other Islamic-oriented financial services. Its nearest IFC rivals are not in Asia at all but unsurprisingly in the GCC, and Dubai in particular.

The Malaysia International Islamic Financial Centre was set up by the country's financial market regulators in 2006, and the world's first Islamic bank, the Bank Islam Malaysia Berhad, was established in 1983.

Today, Islamic finance is a $2.7tn market worldwide, with some 300 banks and wealth managers with operations in more than 60 countries.

Of these, Malaysia accounts for 54% of sukuk issued, and is home to more Islamic funds than any other domicile or jurisdiction. In the 10 years to 2015, the country's Islamic capital market expanded at an annual rate of 11.7% to reach RM1.69tn ($418.3bn). This represents 60% of the Malaysian capital market at large.

Demographics

Asia is on the cusp of experiencing one of the biggest population growth spurts in the history of humanity. The accompanying rise in living standards across the continent is already generating enormous opportunities for wealth managers.

Asia covers just shy of 30% of the Earth's land surface, and in 2018 is home to around 60% of the world's population, or 4.5 billion people.

This number is expected to grow to 5.26 billion by 2050. Over this timeframe, more than 2 billion people will join the middle class in terms of their personal wealth. India and China already account for more than half of Asia's total population. India is projected to overtake China in 2024 as the world's most populous country. Its population is likely to surpass 1.5 billion people at some point in 2025.

China's 1.41 billion populous is forecast to rise more slowly to peak at 1.44 billion in 2030 before starting a long decline. The country's population is expected to drop to 1.36 billion in 2050 and fall further to 1.02 billion by 2100.

Asia is leading the world in terms of new wealth creation. In May *International Investment* reported the findings of the *Global Wealth Migration Review 2018*.

The report highlighted the fact that India, Asia's third largest economy, currently ranks sixth wealthiest in the world, and yet is number one in the report's list of Best Performing Wealth Markets with a current growth in 2018 of 25% to $8.23tn.

The report forecast that India will leapfrog Germany and Britain to become the world's fourth wealthiest country by 2028, based on a 200% growth rate over the next 10 years. The report values its potential private wealth at $24.69tn. According to the *Global Wealth Migration Review*, India's current total wealth is $8.23tn, rising by 25% YoY. China is already the second wealthiest country, behind the US, and is forecast to take the top spot by 2030. China's wealth in 2017 totalled $24.8tn.

INTERNATIONAL INVESTMENT

VIDEO REPORTS: FIT FOR THE FUTURE

Gary Robinson surveys the state of the advice business in Hong Kong

FIT FOR THE FUTURE: A SURVEY OF THE STATE OF THE ADVICE BUSINESS IN HONG KONG

There are few more fluid regions for international financial advisers than Asia. The changing regulatory backdrop has seen convergence of IFA firms and smaller firms selling their businesses to larger firms. And with many of the organisations that started out looking to advise the expat communities in regions such as Hong Kong, Singapore and Malaysia, now adding their attentions to the growing number of wealthy locals, the ball park is shifting as much as the number of teams playing the game are dwindling.

Gary Robinson visited Hong Kong last month and met with some of the region's key players and product providers to find out how the advice business is shaping up...

Back in the 1980s, the UK's financial services industry was largely built of single company advisers (or tied agents) with a smattering of multiple company independent financial advisers.

As financial services became more regulated the 'tied' agent died away leaving the IFAs to prosper, before the Retail Distribution Review kicked in removed advance commission payments and changed the landscape forever.

It is important to recall his natural progression in another jurisdiction when one looks at the Hong Kong marketplace for example as conversely the 'tied agents' still prosper, with financial giants such as AIA and Prudential serving the (mainly) local marketplace with advice, alongside traditional expat advisory firms and some hybrid operations serving both expats and locals alike.

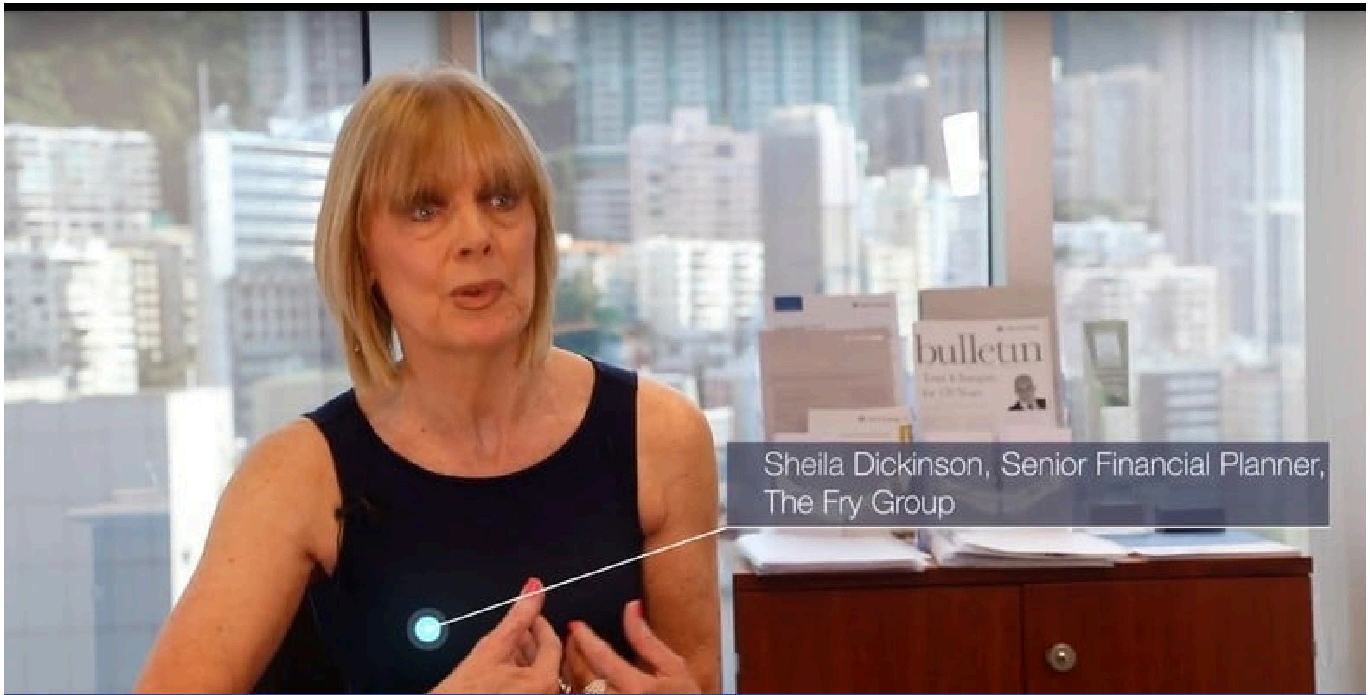
The long view

12 years ago, when The Fry Group's Sheila Dickinson arrived in Hong Kong, initially planning to stay for a short period of time, the backdrop was very different than it is today.

We spoke to Dickinson – last year's recipient of *International Investment*'s International Fund and Product Awards 'Industry Personality of the Year' award – in her office in Hong Kong's Central district, overlooking the iconic skyscraper backdrop, about how things have changed and how they should keep on changing for the better.

"Personally, I've been in Hong Kong for 12 years now as a financial planner. I have worked in financial services industry for, I daren't say how many years, [originally] in the UK for a long time!" says Dickinson

"I came to Hong Kong and wanted to continue working as an adviser in Hong Kong, thinking that HK would be so much further advanced than the UK in terms of regulation etc.



SHEILA DICKINSON, The Fry Group

"Being the financial hub of the world or so it seems so I was quite surprised to get here and finds that the regulation in HK was really quite different to what I expected dare I say.

"[It was] probably something akin to what the UK had been many years before regulations took a hold," she says.

Having worked through period of significant changes in both the UK and in Hong Kong Dickinson has seen before and after on both sides of the world.

So how deeply has the move towards a more stringent regulatory body impacted on the adviser industry in Hong Kong?

"It has impacted on the industry to an extent, but it still needs more change certainly.

"I think when I first came here financial services was very much dominated by the idea of young male advisers who would come here for a short time, sell some savings plans and would not be about for very long," says Dickinson.

Nigel Green, CEO and founder DeVere Group has built successful advisory businesses in almost every corner of the globe. We asked him his thoughts on the developing Asian advisory marketplace

What are the biggest challenges facing advisers in Asia in 2018?

I think the challenges facing advisers in Asia are similar to those facing advisers in the Middle East – namely that these destinations are becoming more and more international, in the sense there is a more diverse range of nationalities seeking advice.

This, naturally, makes meeting client demand that much more complex as each jurisdiction has different requirements and appropriate products and services.

Advisers need to have a broader and more in-depth knowledge than ever. With this challenge comes a huge opportunity.

Is Hong Kong still a hub for Asia?

Hong Kong is an important hub for Asia, although mainland China is increasingly vying for its top position as a growing number of international firms, and therefore expats and international investors, are attracted to places such as Shanghai and Shenzhen. *(Continues >)*

What product areas do you find expats needing the most advice in Asia?
Retirement planning and investment portfolio balancing, which is increasingly including cryptocurrency and property investments.

How do you think China's move towards opening financial services out to the west will impact on products and providers in the region?
China's move towards opening financial services will attract more investment, more development and more competition into the sector.

I think we can expect rapid expansion of financial services in China over the next few years and it will begin to fully compete on the world stage.

How do you see deVere's Asian operation developing in the next couple of years?
We will need to recruit more talented advisers to join our existing teams and to create new ones over the next couple of years to meet the ongoing and increasing client demand across Asia for our specialist financial advice.

What makes deVere stand out as a financial advice firm in the region?
DeVere's size and strength make it truly stand out in Asia and indeed around the world. We have a truly global presence meaning that clients will be looked after to the same consistent high standard wherever they are. Also, they benefit from our comprehensive range of products – many of which are exclusive to our clients – our market-leading technologies, our well-established relationships with the world's leading financial institutions, the fact that we are appropriately authorised and regulated in all the jurisdictions in which we operate, and that our advisers offer unbiased, unrestricted, independent advice, meaning they receive whole-of-the market options.

"Unfortunately, that also was typical experience of a lot of people in Hong Kong when it comes to financial advisers.

"So, [my] coming here as a more mature, experienced adviser I actually found it easier to put my stamp on the market and actually build up a successful client base very quickly in Hong Kong.

What do you do that is so different to the others?

"I don't sell products," Dickinson laughs. "It is all about giving the client real holistic financial advice and a proper financial plan and looking at someone's overall situation what their plans are where they are likely to be and helping them put in place a sound financial plan?

That sounds like a no-brainer, is that not what every financial planner should do? "It should be!" Dickinson says, laughing again.

As the regulation has changed things for financial advisers in Hong Kong, specifically relating to how commission can be received by advisers, versus the fee-based model, Dickinson recalls an advisory conference in Hong Kong from about 10 years previous, where she outlined where she expected the industry to develop and, she says, the reaction was particularly telling.

"In that room, there were maybe 150-200 advisers and I talked to them about commission and fee disclosure and the impact that it had in the UK and how I saw it evolving in the Hong Kong region and I could tell by looking around in that room, that there were horrified faces on the majority of those advisers in that room," Dickinson adds.

"I said to myself a high percentage of these were not going to be here in the next few years. I think that has been borne out, the changes to regulation has certainly Improved but we still have a long way to go to catch up to regulation in the UK. But we are getting there."

Tailored approach

In 2014, FTSE 100-listed wealth management company St James' Place bought The Henley Group, an IFA firm in Asia, which had about £400m ($500m) of assets under management

"The success of St. James's Place has been built on the delivery of tailored, face-to-face advice. When looking to develop our client proposition, it made sense to consider where our approach and expertise would be best suited in providing clients with an effective financial planning strategy"

Mike Gravestock, St. James's Place

operating in Singapore, Hong Kong and Shanghai at that time.

It originally started out targeting expats in Asia but also began focusing increasingly on the local high-net-worth individual marketplace as well.

Mike Gravestock, Partnership Director – International for St. James's Place, has been spearheading the development of that business as continues to evolve.

"The Wealth Management profession in Hong Kong continues to respond to market and regulatory change," says Gravestock. "In anticipating further growth of our Hong Kong business, we will look to use our experience to introduce additional enhancements to our client proposition.

"The success of St. James's Place has been built on the delivery of tailored, face-to-face advice. When looking to develop our client proposition, it made sense to consider where our approach and expertise would be best suited in providing clients with an effective financial planning strategy encompassing investment planning and tax planning, in addition to addressing clients' protection needs.

"Providing clients with access to our distinctive Investment Management Approach through the International Investment Plan is a very positive step and further broadens the proposition available to our partners to help them in managing their clients' wealth," he adds.

SJP's recent expansion in Asia has been helped by a number of smaller IFA firms deciding to hang up their boots and sell their book of business to a larger firm. It also coincides with a number of high-profile mergers & acquisitions (M&A) by international life companies and cross-border IFA firms.

UK-headquartered Aviva set up a 280-strong advisory firm in Singapore, known as Aviva Financial Advisers, moving closer to the Asian domestic market following an earlier purchase of Professional Investment Advisory Services (PIAS), also based in Singapore. In September 2015, shortly before Zurich exited Singapore, the insurer transferred to the Middle East-based Nexus Group, in a move aimed at Singapore's growing local HNWIs.

EDWARD HARRIS, Holborn Assets

Local focus

Another company, albeit in a smaller scale, that has ambitions on the region is Holborn Assets, having recently taken over the Hong Kong operation of Globaleye.

We met with the Holborn Asset's Asian CEO, Edward Harris at their Hong Kong headquarters who explained how the change has bedded in and how he thinks that the firm can capitalise by remaining focused on Hong Kong, while other players move out of the region.

“We have clients here from all over the world, Western European, South African, Australian and New Zealand advising on a wide range of financial planning needs from insurance, property, land investments and tie those strands together for them,” said Harris

“[We do] predominantly single premium business as clients tend to be high-net-worth clients rather than mass affluent, so [it is] estate planning, tax planning.”

Harris believes that for the smaller players in Hong Kong it is going to become increasingly tough, even though regulation has already hit hard with the changes to commission payments and the increase of compliance.

The recently formed Hong Kong Insurance Authority (IA), has been increasingly tough recently fining and banning advisers from the tied agent community and enforcing harsh penalties, including jail time, for more serious offences.

And in terms of how it affects advisers, the IA is, Harris points, potentially only just getting started in its monitoring of the industry.

IS OVER-REGULATION BECOMING A BARRIER TO ADVISER ADVICE?

- Yes, it goes too far
- No, it doesn't go far enough
- No, it is about right

✚ See results

“The IA is a new regulatory body coming in [that] as of next year is going to have more of an impact on us as independent advisers,” he says.

“They are going start flexing their muscles and the level of regulation and compliance work is only going to increase.

“We have already in the last few months been approached by some more of the smaller firms here to say are we interested taking on them, them and their books, [or] just their books as people are trying to consolidate.

“And there are very few players that have the capacity to do those types of deals and fortunately Holborn is one of that small number.”

Harris points that as some Hong Kong-based private banks have been moving their minimum levels and thresholds up it has been “providing good opportunities for us in that HK$1-10m range for us to take on some good key clients”.

The impact of the regulatory changes means there has “been some shuffling around” and now there is no indemnity commission, if you have not got a big book of clients to start off with, "it is very difficult" to buy your way into that market.

“You have to make sure that you have the best possible offer to those consultants that are around and are the people that you want to try and attract. You [also] have to make sure that you can retain the talent you already have and hopefully add to it.”

INTERNATIONAL INVESTMENT

FRONTRUNNERS: A SOPHISTICATED MARKET

Michael Wrigley, Head of Expatriate Sales – Asia, Hansard International, explains how the discernment of a growing middle class is driving opportunities in the region

HANSARD INTERNATIONAL

FRONTRUNNERS

A SOPHISTICATED MARKET

Hansard International's Head of Expatriate Sales – Asia, *Michael Wrigley*, shares his views on the appeal of Malaysia as a regional hub, and the opportunities available in this vibrant region

Economists, fund managers and industry observers regularly obsess about the 'rise of the middle class' when assessing the viability of a country's future financial health. Measures of 'disposable income' and, more importantly to financial advisors 'investible income' become the barometers by which they measure the attractiveness of any given growth region.

Asia is widely acknowledged as the nucleus of future middle class expansion, with almost 90% of the next billion entrants into the global middle class coming from Asia (380 million Indians, 350 million Chinese, and 210 million other Asians).

In monetary terms, the middle class could be consuming about $10trn more than in 2016; $8trn of this incremental spending will be in Asia. *(Source: 'The unprecedented expansion of the global Middle class', Brookings, 2017.)*

The appeal of Malaysia

Kuala Lumpur has played an important part in the development of Hansard over the years, it has been our major licensed entity in Asia (through Labuan) for a number of years, providing

“One of the biggest challenges, particularly in South East Asia has been the marked increase in the sophistication of the client base”

Michael Wrigley, Hansard International

geographical access to the local and expatriate market in Malaysia.

Kuala Lumpur also makes for an ideal administration base, providing the Asian market with real time support for 16 hours per day, across our Isle of Man head office and local branch.

As the Kuala Lumpur office closes, the Isle of Man opens creating more efficient turnaround times for advisors and their clients. This has helped to nurture a reputation for service excellence in the region, which is endorsed by a prominent ‘Readers’ Choice Awards’ (voted for by financial advisers) over the last two years.

Advisers clearly like the changes we have made and the support we are giving them, and we never stop looking to improve.

Meeting raised expectations

However, as a product provider, I would have to say that one of the biggest challenges, particularly in South East Asia has been the marked increase in the sophistication of the client base, that is, the advisers and their clients demand for ever more sophisticated solutions to the ever-changing financial requirements that they have.

Quite rightly, as the level of professionalism from financial advisers steps up at phenomenal pace to satisfy this demand, so too do their expectations from product providers to provide a better proposition.

Such changes continue to encourage Hansard to strive to be at the top of our game.

One of the obvious reflectors of this can be seen through the increase in the number of technical queries that we see from advisors that we work with.

There are areas of financial planning that present challenges for both clients and advisers such as tax and trust planning.

HANSARD
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HANSARD
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hansard.com
LOCAL KNOWLEDGE
GLOBAL REACH

Professional advisers have to be able to advise on all aspects of a client's circumstances but may not be experts in all areas.

In order to support advisers in this area, we have taken the step of partnering with an independent advisory service; QB Partners.

QB Partners offer advisors independent, accessible solutions driven through technical, compliance and due diligence support.

In 2018 we have made the services offered by QB Partners a key part of our proposition and it has been very well received, we will continue to build on this in the second half of the year.

A unique proposition

It is an exciting time for Hansard, we have taken massive steps as a company over the last few years.

We have some fantastic products, an award winning online system that provides straight through processing for new business (which recently received an award for the 'best online proposition' in the Middle East), and we also received a five star rating (excellent) for service provided to intermediaries from independent ratings agency AKG.

Finally our partnership with QB Partners gives us a technical resource which provides genuine solutions on tax and trust structures that advisers and clients can take forward with confidence. All of these factors create a proposition that we feel is truly unique.

FRONTRUNNERS: A KEY PLAYER

David Knights, Investors Trust's Head of Distribution Asia, shines a light on the company's expansion in the region

FRONTRUNNERS

A KEY PLAYER

Investors Trust has emerged as a frontrunner in the Asian market with an extensive product offering. *Gary Robinson* quizzes Head of Distribution Asia David Knights to establish what lies behind this success story

Investors Trust established its presence in the Asia Pacific region back in 2008 with the opening of its Hong Kong service point to support distributors in the region. Since then, ITA has continued to expand its business throughout Asia extending its reach into parts of South East Asia.

In 2012, Investors Trust acquired a Labuan license to service clients in Malaysia and, shortly after, opened an office in Kuala Lumpur, which has grown to be its largest location with roughly 40 employees available to service the region, as well as, support the business globally.

Investors Trust provides a range of competitive savings and investment vehicles exclusively through independent advisers and wealth managers in chosen markets.

Apart from providing well-priced fund linked savings plans and lump sum investments, Investors Trust has seen great success throughout Asia with its offering of capital-protected savings solutions.

The wide range of possibilities provided by Investors Trust attracts investors as well as financial advisors, who are both looking for more variety and optimal flexibility.

Investors Trust has emerged as a frontrunner in the offshore industry by providing an extensive product offering paired with modern technologies and world-class customer support.

"We have built a name for ourselves not only in the Asia Pacific region but around the globe due to our focus on high-quality, flexible solutions, cutting edge technology platforms and superior, multilingual customer service. We are a progressive company with an in depth understanding of the industry," says David Knights, head of Distribution Asia.

Clients and Financial Advisers alike embrace the technical instruments ITA has incorporated.

Investors Trust was the first company in the industry to offer an interactive account access portal for investors and advisers to manage their investment portfolios. The platform includes enhanced features to calculate projections and report portfolio status for further control and oversight of individual investments.

Investors Trust products and platforms are fully supported in seven different languages (English, Spanish, Portuguese, Russian, Chinese Simplified, Chinese Traditional and Japanese) making it more accessible to non-English speakers; thus, more competitive globally.

The importance of expansion in Asia

The Asia Pacific region has been an important market for Investors Trust since the early 2000s and continues to account for a considerable proportion of the company's global business with approximately 40% of its sales coming from the Asian region.

The region has some of the world's fastest growth rates in numbers of high net worth individuals along with a rapidly increasing mass affluent population who are target consumers for Investors Trust products and services.

"We also see the expatriate market in the region continuing to be attractive and we have been actively growing our support from this segment in recent years," says Knights.

"However, we do not view this solely in terms of the more traditional UK, Antipodean or European expat markets as in many parts of Asia there are now equally significant numbers of Asian expats working abroad including Chinese, Japanese and Koreans."

Investors Trust


Investors Trust
GLOBAL EXPERTISE COMMITTED TO YOUR MARKET
OUR STATE-OF-THE-ART PLATFORM PROVIDES FINANCIAL ADVISERS WITH THE MOST SOPHISTICATED AND USER FRIENDLY MANAGMENT TOOLS AVAILABLE IN THE INTERNATIONAL MARKETPLACE
KEY FEATURES
› Customizable Dashboard for Quick Access to Tools and Resources
› Web-Based Fund Trading Platform
› Dynamic E-Fund Analyzer Tool and Morningstar® Portfolio X-Ray™
› Electronic Application and Illustrations for New and Existing Clients
› Online Premium Payments
› Broad Reporting Capabilities
› Online Secure Administrative Communication Platform
Our tools and reporting capabilities allow you to manage your business from anywhere, at any time.
Investors Trust is a registered trademark of Investors Trust Assurance SPC which is rated "B++" by A.M. Best Company. For the latest rating, access www.ambest.com. Investors Trust Assurance SPC is a member of the Association of International Life Offices (AILO). Investors Trust products are distributed through a global network of independent financial advisors. If you are interested in joining this global network, please contact us by e-mail at advisors@investors-trust.com.
The information contained in this material does not constitute an offer or solicitation to anyone in any jurisdiction in which an offer is not authorized, or to any persons to whom it is unlawful to make such an offer or solicitation. Please consult your own legal, tax or investment professional before making any financial decisions. For adviser use only - not approved for use with clients.
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“We are excited to launch some structure changes and new enhancements to the company that we believe will make our products and services even more attractive to international financial advisers and their clients”

David Knights, Investors Trust

Situated for success

Not only does its multilingual offering and support appeal to a wide range of clients from all nationalities but Investors Trust has also built an experienced and skilled regional team in terms of sales, marketing and customer service which enable advisers to communicate directly with the company and, ultimately, better serve their clients.

As advisory businesses mature, advisers might find that they have clients located all around the globe which can usually make the transfer of accounts quite challenging.

However, with Investors Trust electronic applications and paperless systems, acquiring business from different regions is now easier than ever.

With the highest level of security at its core, not only is Investors Trust supporting green initiatives by eliminating paper trails but its exceeding the competition and transforming the way people manage their investment business.

Knights adds: “We are always forward-thinking and evolving our business to stay aligned with regulatory and market developments.”

With an advanced method of offering investment solutions and an electronic platform for business transactions, Investors Trust is positioned to evolve with the industry and any changes it may bring.

The cutting-edge technology makes it easy to adjust and adapt to regulatory changes and market initiatives.

“We are excited to launch some structure changes and new enhancements to the company that we believe will make our products and services even more attractive to international financial advisers and their clients. You’ll want to keep an eye out for these improvements coming out later in the year,” Knights concludes.

Investors Trust

INTERNATIONAL INVESTMENT

REGULATION: NAVIGATING THE MAZE

A guide to the legislative regimes governing the private wealth management industry across Asia

THE REGULATORY MAZE

Pedro Gonçalves offers a helping hand through the regulatory complexities of Asia's private wealth management industry

Asia's private wealth management sector, fuelled by robust economic growth and the rise of more self-made millionaires, continues to provide opportunities for wealth management companies.

Singapore manages $53.4bn in private wealth; Hong Kong is a close second with $32.8bn. Thailand is estimated to have about 50,000 high-net-worth individuals and Malaysia is seeing a rapid increase in its mass-affluent population.

Increasing wealth from mainland China is still the motor driving the private wealth sector in the region.

However, as opportunities continue to grow, so do the challenges that the industry faces in Asia. Unrelenting regulatory pressure paired with regulatory requirements differing across jurisdictions create obstacles for wealth management firms operating across multiple locations.

A recent PwC survey showed 82% of participants cited regulatory challenges in Asia among their top three concerns.

So how can professionals navigate this regulatory maze? Here is a map of the landscape.

REGULATORS IN ASIA

Hong Kong

The Securities and Futures Commission

Hong Kong

Hong Kong has the biggest number of billionaires in Asia and on a global scale ranks second only to New York. In 2016 it had 72 billionaires and around 4,600 Ultra-high-net worth individuals. As a result, the wealth management industry has attracted many companies servicing different segments of this wealthy client base.

The four financial regulators are the Hong Kong Monetary Authority (HKMA), the Insurance Authority (IA), the Mandatory Provident Fund Schemes Authority (MPFA) and the Securities and Futures Commission (SFC). They oversee the banking, the Mandatory Provident Fund (MPF), insurance as well as securities and futures industries respectively.

Having four regulators with responsibility over different segments of the industry is commonly seen as a source of confusion, inertia and even disadvantage. This framework is partly a result of Hong Kong's fund distribution model, which is still concentrated heavily in the hands of banks and thus requires the participation of monetary authorities.

The SFC has been tightening its oversight of the asset management industry and ramping up inspections. Last year it looked into 250 licensed asset management firms and identified multiple cases of regulatory non-compliance. Asset managers were warned to review their internal control procedures and asked to enhance them to meet the SFC's expectations.

"These enhancements ensure our regulations are properly benchmarked to evolving international standards and strengthen Hong Kong's position as a major asset management centre," said SFC's chief executive, Ashley Alder.

It has also imposed the figure of Manager-in-Charge (MIC). This regime requires every licensed corporation to nominate and disclose to the SFC at least one MIC for each of eight designated core functions, including the licensed corporation's key business.

One of the biggest regulatory debates in Hong Kong revolves around the acceptance of rebates. Trailer fees remain legal but are currently under scrutiny. There is currently a tacit understanding that the Hong Kong market is not yet ready to impose a total ban on sales commissions. However, the SFC is tightening the disclosure rules for those who receive trailer fees, making such disclosure mandatory.

Singapore

In Singapore, IAMs are regulated by the Monetary Authority of Singapore

HOW HAS STRICTER REGULATION AFFECTED THE ADVISORY BUSINESS IN ASIA?

- Positively
- Negatively
- Neither Positive or Negative

+ See results

REGULATORS IN ASIA

Singapore

Monetary Authority of Singapore

(MAS), which treats them as fund managers. MAS identifies two different categories of fund managers, as determined by the 2012 Securities and Futures Act (SFA). The SFA stipulates that corporations with fund management as their principal business activity need to either hold a Fund Management Companies Licence (also known as LFMC) or a registration under the Second Schedule to the Securities and Futures Regulations (also known as RFMC).

Both types of licences are issued by MAS and they set different requirements regarding their base capital, their compliance obligations, their business operation, their clientele as well as their assets.

The companies with a Fund Management Companies Licence are further divided into Retail Licensed Fund Managers and Accredited Investors Fund Managers. The Monetary Authority of Singapore's stated capital requirement ranges from SG$250,000 to SG$1m while for RFMC the total value of the assets managed must be below SG$250m.

Private assets are commonly held through a Singapore investment holding company or a private family trust.

Singapore companies provide for limited liability and may generally be more cost-effective to maintain but are subject to the regulatory and reporting requirements under the Companies Act, Chapter 50 of Singapore; for example, they are required – subject to certain exceptions – to file audited accounts and annual returns with the Registrar of Companies.

Information on, inter alia, the directors and shareholders of a Singapore company as well as its audited accounts can be purchased by members of the public for a nominal fee.

Private wealth held in Singapore is taxed locally on income generated in a portfolio and the participation of Singaporean based accountants is a requirement.

This means that internally the information sharing and transparency is extensive, but externally there is little transparency or information sharing. The country does not share banking information with outside regulators.

Singapore has become one of the fastest growing private wealth management hub in the world, and the regulator hopes that trend will continue.

“The Asian growth story will dominate the investment agenda in the next decade. Capital and investment will continue to flow into Asia,” Ravi Menon, head of MAS, said in a conference. “Singapore’s role is to connect global investors to Asia, and to bring Asian opportunities to global investors.”

REGULATORS IN ASIA

Thailand

The Securities and Exchange Commission

Thailand

There have been a number of recent legal and regulatory changes in Thailand that have a significant impact from a wealth management perspective.

Bankers estimate there are about 50,000 high-net-worth individuals in the country who are said to control about 40% of money invested in Thai capital markets.

The industry offers few products as Thailand’s capital market regulator, the Securities and Exchange Commission (SEC Thai), demands that most products be capital-protected and has placed restrictions on short selling of stocks by mutual funds.

Thailand’s central bank is also watching the country’s exchange rate, limiting how much can be invested abroad.

Bankers say this has recently been relaxed due to the strength of the Thai baht and Thai banks have been allowed to raise money for local funds feeding into funds offered by international partners.

But it is still estimated that Thailand’s rich hold up to 75% of their money in Thailand, limiting the industry’s ability to sell international investment funds.

Thailand lacks a developed estate

legislation, which means Thailand's rich families pass on wealth from one generation to the next without the need of professional wealth management that in developed markets includes tax and accounting services.

Thailand's SEC has revised several regulations to enhance flexibility and compliance with international guidelines and market development.

"The amendments which have been approved recently by the Capital Market Supervisory Board aim to increase competitiveness of the ever-growing asset management business by, for example, relaxing several requirements," SEC boss, Rapee Sucharitakul, said in a statement.

"In so doing, appropriate investor protection is maintained, and more investment choices promoted," he continued.

Malaysia

There has been a substantial progress over the past few years in Malaysia's wealth management industry, but the sector still demands more measure to enable it to compete with regional rivals.

One measure introduced by the Securities Commission (SC) allows boutique fund managers, or those with assets under management (AUM) of up to MYR750m ($198m) to establish businesses in Malaysia with paid up capital of MYR500,000 versus the MYR2m required for a fully-fledged fund manager licence.

REGULATORS IN ASIA

Malaysia

Securities Commission

WHAT IS YOUR MAIN SOURCE OF BUSINESS?

- Insurance
- Investments
- Other advice

See results

"To further enhance business efficiency, the range of permissible activities for fund management companies will also be broadened to provide investment advice to clients," the Securities Commission said in a statement.

It continued: "Marketing activities by licence holders will be liberalised. As part of a phased approach, marketing, sales and client servicing activities by fund management companies can now be undertaken by representatives registered with the SC, in addition to licensed representatives," the SC said in a statement.

However, compliance costs continue to grow, as asset management companies have to consider international regulations such as the Foreign Account Tax Compliance Act and Know Your Customer.

Malaysia's financial regulator is to implement a framework on Shariah sustainable and responsible investments (SRI) in a bid to leverage on the country's position as a leader in Asia for SRI investing, and attract more institutional and global investors onto Malaysian shores.

REGULATORS IN ASIA

China Securities Regulatory Commission

For that, the SC has proposed for Malaysia-based asset managers to establish and manage a multi-currency Shariah-compliant investment fund.

Other initiatives include broadening linkages and connectivity, capitalising on global opportunities and increasing the value-add and talent base within the Islamic capital market.

Ranjit Ajit Singh, chairman of the SC, claims Malaysia is well positioned to seize opportunities within the Islamic fund and wealth management industries, as Malaysia currently has one of the largest middle-class Muslim populations in the Asia-Pacific region.

China

Authorities in Beijing are putting all their efforts into curbing risks in the financial sector after a string of corruption scandals.

One of the most symbolic moves made by the government included setting up a 'super regulator', the Financial Stability and Development Commission, after the 19th Party Congress in October 2017 covering the entire financial system (click on box above for details).

The banking and insurance regulator were merged after the former insurance regulator boss was sacked and pleaded guilty to taking bribes.

As President Xi Jinping's crackdown on graft in the financial industry continues, the asset management community has been been caught in the middle of this campaign.

China's banking and insurance regulator will soon publish detailed rules on banks' wealth management products (WMPs) as part of Beijing's effort to curb risks in the financial sector.

With those new rules, the China Banking and Insurance Regulatory Commission is expected to adjust the limit for exposure of bank wealth management products to so-called non-standard investments, known widely as shadow banking products.

Currently, such investments by banks cannot exceed 35% of the outstanding amount of their WMPs or 4% of their total assets.

Beijing has stipulated that private fund manager wholly foreign owned enterprises (WFOEs) are no longer considered financial institutions and thus prohibited from issuing or selling asset management products.

Foreign asset managers who have established a private fund manager WFOE may find their fundraising activities severely hampered by this development as this clarification means that WFOEs in China stand to lose investments from wealth management products.

Financial institutions operating in China are no longer allowed to use asset management products to invest in commercial banks' credit assets or provide channel service in an attempt to bypass the new regulations.

INTERNATIONAL INVESTMENT

DATA: MEASURING SIZE AND PERFORMANCE

Mutual funds and ETFs

HOW IT WORKS

Using data provided by Morningstar, the funds chosen for our monthly data roundup are a carefully filtered selection of funds drawn from the global universe of open-end and exchange traded funds available to investors.

Beginning with Morningstar data covering some 100,000 open-end funds and over 10,000 exchange traded funds domiciled anywhere in the world, we have applied a series of quantitative screens. Additionally, we have allocated funds to regions based on their country of domicile.

Quantitative Screen: Funds selected for inclusion must have a minimum three-year track record, a fund size of at least $10m, and a four- or five-star Morningstar Rating (also known as the "Star Rating"). The Morningstar Rating brings load-adjustments, historical performance and risk together into one evaluation.

To determine a fund's Morningstar Rating, the fund's risk-adjusted return is plotted on a bell curve: If the fund scores in the top 10% of its category, it receives five stars; if it falls in the next 22.5% it receives four stars.

The Overall Morningstar Rating for a fund is a weighted average of the available three-, five-, and 10-year Morningstar Ratings.

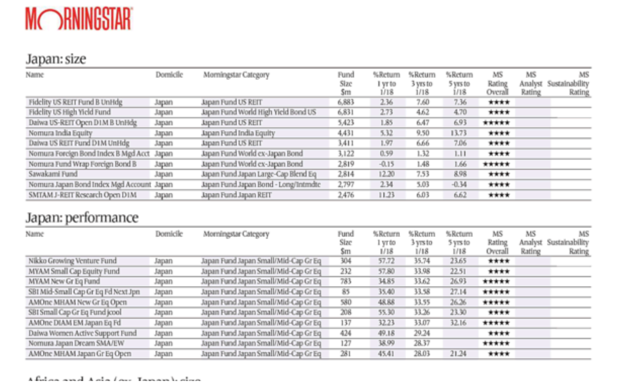
Funds are then ranked, with the top ten funds by fund size in USD and by the three-year total return for the fund's oldest share class displayed. All return figures are annualised and calculated in USD.

Morningstar Category

The Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings.

We also include each fund's Morningstar Analyst Rating which provides a summary expression of Morningstar's forward-looking analysis of a fund. Morningstar analysts assign Analyst Ratings on a five-tier scale with three positive ratings of Gold, Silver, and Bronze, a Neutral rating, and a Negative rating.

FUNDS: MUTUAL



MORNINGSTAR

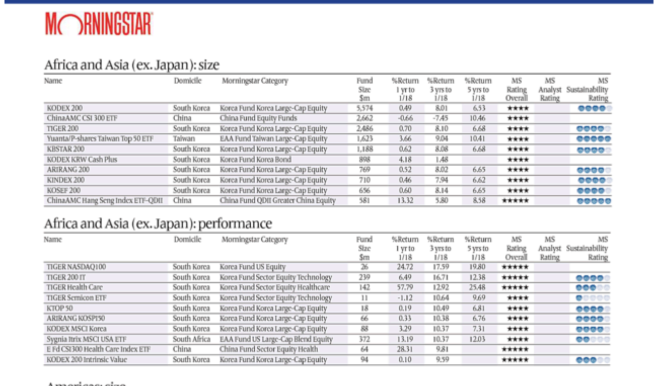
Japan: size

Name	Domicile	Morningstar Category	Fund Size $m	%Return 1 yr to 1/18	%Return 3 yrs to 1/18	%Return 5 yrs to 1/18	MS Rating Overall	MS Analyst Rating	MS Sustainability Rating
Fidelity US REIT Fund B UnHdg	Japan	Japan Fund US REIT	6,883	2.36	7.60	7.36	★★★★		
Fidelity US High Yield Fund	Japan	Japan Fund World High Yield Bond US	6,831	2.73	4.62	4.70	★★★★		
Daiwa US-REIT Open D1M B UnHdg	Japan	Japan Fund US REIT	5,423	1.85	6.47	6.93	★★★★★		
Nomura India Equity	Japan	Japan Fund India Equity	4,431	5.32	9.50	13.73	★★★★		
Daiwa US REIT Fund D1M UnHdg	Japan	Japan Fund US REIT	3,411	1.97	6.66	7.06	★★★★		
Nomura Foreign Bond Index B Mgd Acct	Japan	Japan Fund World ex-Japan Bond	3,122	0.59	1.32	1.11	★★★★		
Nomura Fund Wrap Foreign Bond B	Japan	Japan Fund World ex-Japan Bond	2,819	-0.15	1.48	1.66	★★★★★		
Sawakami Fund	Japan	Japan Fund Japan Large-Cap Blend Eq	2,814	12.20	7.53	8.98	★★★★		
Nomura Japan Bond Index Mgd Account	Japan	Japan Fund Japan Bond - Long/Intmdte	2,797	2.34	5.03	-0.34	★★★★		
SMTAM J-REIT Research Open D1M	Japan	Japan Fund Japan REIT	2,476	11.23	6.03	6.62	★★★★		

Japan: performance

Name	Domicile	Morningstar Category	Fund Size $m	%Return 1 yr to 1/18	%Return 3 yrs to 1/18	%Return 5 yrs to 1/18	MS Rating Overall	MS Analyst Rating	MS Sustainability Rating
Nikko Growing Venture Fund	Japan	Japan Fund Japan Small/Mid-Cap Gr Eq	304	57.72	35.74	23.65	★★★★		
MYAM Small Cap Equity Fund	Japan	Japan Fund Japan Small/Mid-Cap Gr Eq	232	57.80	33.98	22.51	★★★★		
MYAM New Gr Eq Fund	Japan	Japan Fund Japan Small/Mid-Cap Gr Eq	783	34.85	33.62	26.93	★★★★★		
SBI Mid-Small Cap Gr Eq Fd Next Jpn	Japan	Japan Fund Japan Small/Mid-Cap Gr Eq	85	35.40	33.58	27.14	★★★★★		
AMOne MHAM New Gr Eq Open	Japan	Japan Fund Japan Small/Mid-Cap Gr Eq	580	48.88	33.55	26.26	★★★★★		
SBI Small Cap Gr Eq Fund jcool	Japan	Japan Fund Japan Small/Mid-Cap Gr Eq	208	55.30	33.26	23.30	★★★★		
AMOne DIAM EM Japan Eq Fd	Japan	Japan Fund Japan Small/Mid-Cap Gr Eq	137	32.23	33.07	32.16	★★★★★		
Daiwa Women Active Support Fund	Japan	Japan Fund Japan Small/Mid-Cap Gr Eq	424	49.18	29.24		★★★★		
Nomura Japan Dream SMA/EW	Japan	Japan Fund Japan Small/Mid-Cap Gr Eq	127	38.99	28.37		★★★★★		
AMOne MHAM Japan Gr Eq Open	Japan	Japan Fund Japan Small/Mid-Cap Gr Eq	281	45.41	28.03	21.24	★★★★		

FUNDS: ETF



MORNINGSTAR

Africa and Asia (ex. Japan): size

Name	Domicile	Morningstar Category	Fund Size $m	%Return 1 yr to 1/18	%Return 3 yrs to 1/18	%Return 5 yrs to 1/18	MS Rating Overall	MS Analyst Rating	MS Sustainability Rating
KODEX 200	South Korea	Korea Fund Korea Large-Cap Equity	5,574	0.49	8.01	6.53	★★★★		●●●●○
ChinaAMC CSI 300 ETF	China	China Fund Equity Funds	2,662	-0.66	-7.45	10.46	★★★★		
TIGER 200	South Korea	Korea Fund Korea Large-Cap Equity	2,486	0.70	8.10	6.68	★★★★		●●●●○
Yuanta/P-shares Taiwan Top 50 ETF	Taiwan	EAA Fund Taiwan Large-Cap Equity	1,623	3.66	9.04	10.41	★★★★		●●●●●
KBSTAR 200	South Korea	Korea Fund Korea Large-Cap Equity	1,188	0.62	8.08	6.68	★★★★		●●●●○
KODEX KRW Cash Plus	South Korea	Korea Fund Korea Bond	898	4.18	1.48		★★★★		
ARIRANG 200	South Korea	Korea Fund Korea Large-Cap Equity	769	0.52	8.02	6.65	★★★★		●●●●○
KINDEX 200	South Korea	Korea Fund Korea Large-Cap Equity	710	0.46	7.94	6.62	★★★★		●●●●○
KOSEF 200	South Korea	Korea Fund Korea Large-Cap Equity	656	0.60	8.14	6.65	★★★★		●●●●○
ChinaAMC Hang Seng Index ETF-QDII	China	China Fund QDII Greater China Equity	581	13.32	5.80	8.58	★★★★★		●●●●●

Africa and Asia (ex. Japan): performance

Name	Domicile	Morningstar Category	Fund Size $m	%Return 1 yr to 1/18	%Return 3 yrs to 1/18	%Return 5 yrs to 1/18	MS Rating Overall	MS Analyst Rating	MS Sustainability Rating
TIGER NASDAQ100	South Korea	Korea Fund US Equity	26	24.72	17.59	19.80	★★★★★		
TIGER 200 IT	South Korea	Korea Fund Sector Equity Technology	239	6.49	16.71	12.38	★★★★★		●●●●○
TIGER Health Care	South Korea	Korea Fund Sector Equity Healthcare	142	57.79	12.92	25.48	★★★★★		●●●○○
TIGER Semicon ETF	South Korea	Korea Fund Sector Equity Technology	11	-1.12	10.64	9.69	★★★★		●○○○○
KTOP 50	South Korea	Korea Fund Korea Large-Cap Equity	18	0.19	10.49	6.81	★★★★		●●●●○
ARIRANG KOSPI50	South Korea	Korea Fund Korea Large-Cap Equity	66	0.33	10.38	6.76	★★★★		●●●●○
KODEX MSCI Korea	South Korea	Korea Fund Korea Large-Cap Equity	88	3.29	10.37	7.31	★★★★		●●●●○
Sygnia Itrix MSCI USA ETF	South Africa	EAA Fund US Large-Cap Blend Equity	372	13.19	10.37	12.03	★★★★		●●○○○
E Fd CSI300 Health Care Index ETF	China	China Fund Sector Equity Health	64	28.31	9.81		★★★★★		
KODEX 200 Intrinsic Value	South Korea	Korea Fund Korea Large-Cap Equity	94	0.10	9.59		★★★★★		●●●○○

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DIRECTORY:
PROFESSIONAL SERVICES

A listing of some of the biggest
players in offshore financial services

Canada Life International

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Profile: Canada Life International Limited (CLI) established 30 years ago remains one of the leading offshore providers with assets under administration of £14.3bn (as at 31 March 2017). CLI is the only offshore insurer to maintain a five-star AKG Annual Financial strength rating for 14 consecutive years. Through CLI Institutional Limited, institutional and UHNW clients have a level of policyholder protection that isn't otherwise available in the UK offshore market. In 2015, CLI also completed the acquisition of Legal and General International (Ireland). This has enhanced the choice available to UK investors by providing them with a choice of jurisdictions within one compelling offshore proposition.

Offering: Canada Life International Limited (CLI) offer a wide range of regular and single premium investment bonds, tax and estate planning solutions and whole of life protection solutions. Our investment options include full open architecture, links to over 40 platforms and over 150 discretionary investment managers as well as over 150 internal linked funds. Our team of technical specialists offer more than 200 years of experience in taxation, trusts, estate planning and pensions between them. In addition, we publish and back our service standards with a no quibble, non-performance penalty system.

GENERALI

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e-mail: enquiries@generali-worldwide.com

Profile: Generali Worldwide is a wholly owned subsidiary of the Generali Group. Founded on the strength of this international presence and wide-ranging expertise, Generali Worldwide specialises in offering life insurance-based wealth management and employee benefit solutions to a global audience, including multinational organisations, international expatriates and local resident populations in licensed territories.

The company's head office is based in Guernsey, a premier international financial centre, and is a registered insurer under the Insurance Business (Bailiwick of Guernsey) law, 2002 (as amended). It is also an authorised insurer in the Bahamas, British Virgin Islands, Cayman Islands, Hong Kong, Jersey and Singapore.

Offering: A range of individual unit-linked regular and single premium-based savings, retirement and investment plans and an open-architecture portfolio bond along with group retirement and savings products, group life and disability and healthcare products.

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Profile: Hansard International has been providing innovative financial products and services for international clients since 1987 and forms part of Hansard Global plc, which is listed on the London Stock Exchange. We administer assets in excess of US$1bn for over 500 financial advisor businesses with over 40,000 client accounts, in over 155 countries. We are celebrating our 30th anniversary in 2017, and already planning ahead for the next 30 years.

Offering: In the ever-changing landscape of financial services, Hansard International prevails as a steady and constant presence. Whilst other providers around us have changed their name, ownership, identity and focus over the years, Hansard International has remained committed to providing innovative financial products and services for financial advisers and their international clients. This strong heritage, which is coupled with exceptional levels of service and a focus on innovation through the use of technology, makes us an exceptional proposition in our marketplace.

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Profile: Investors Trust Assurance SPC (ITA) is an international insurance company licensed and regulated by the Cayman Islands Monetary Authority. ITA has gained a leadership position in the international insurance markets by specialising in the provision of investment-linked insurance products and class leading customer service. With service offices established around the world, ITA offers an array of opportunities to its policyholders by providing access to the global financial markets. ITA is constantly innovating and investing in technology giving clients online multi-language (English, Spanish, Portuguese, Chinese, Japanese and Russian) access to manage their investment-linked products.

Offering: ITA works with some of the world's top asset managers under its convenient open architecture platform. It provides clients with greater investment choices and the ability to provide for their families as well as plan for a comfortable retirement. Specialising in medium to long term unit-linked investment products, ITA is proud to offer a range of flexible, tax-efficient products, including regular and single premium annuities, designed to suit various income levels and financial planning needs.

OLD MUTUAL INTERNATIONAL

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Old Mutual International is a leading cross-border provider of wealth management solutions. Our aim is to help financial advisers manage and grow their clients' investments; not just for their own future, but for their family and the generations to come.

We are one of the few financial service providers to operate in multiple global markets, offering effective financial planning solutions to expatriates and local investors across the world including Africa, Asia, Europe, Latin America, and the Middle East.

In an ever-changing regulatory landscape, it's crucial that financial advisers stay ahead of the game. We are here to give them all the support and technical expertise they need to help them maximise opportunities for their clients.

Old Mutual International is part of Quilter, a leading provider of advice, investments and wealth management both in the UK and internationally, managing over £100 billion of investments on behalf of over 900,000 customers (as at 31 March 2018). Quilter plc, our group holding company, is listed from 25 June 2018 on the London and Johannesburg stock exchanges.

PREMIER TRUST

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Profile: Premier Trust offers a uniquely tailored suite of unit-linked products that grant international investors the opportunity to create a portfolio of investments in a simple and sustainable manner. Premier Trust, part of PA Group's Life and Investment division, provides clients access to some of the world's leading fund and asset managers as well as best-in-class custodians. From protecting our clients' health with worldwide coverage to helping them achieve a successful financial future, PA Group creates financial security road maps for life's most significant events. For over 18 years, PA Group has guided and protected our clients with comprehensive health and wealth accumulation solutions.

Offering: Our investment products include regular savings and lump sum premium plans with principal protection in multiple currencies (USD, AUD, EUR, GBP), as well as plan options with a broad selection of investment funds and ETFs. With a dedicated administration team and a proprietary online platform, Premier Trust delivers personalised customer service with multi-language support to advisers and clients in over 40 countries. For more information on Premier Trust's investment solutions, visit www.premiertrustglobal.com.

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RL360° is one of the fastest growing international life companies, with offices around the globe and policyholders residing in 170 countries at all points of the compass.

We're part of International Financial Group Limited (formerly RL360 Group), which has 70,000 policyholders, in excess of US$10 billion assets under management and 335 staff.

Investing with RL360° means choosing a financially strong and uniquely structured company. We have a B+ rating from actuarial consultancy AKG, as well as 4 stars for service. And you can take great confidence from our Isle of Man location, a well-established global financial centre with an outstanding reputation for investor protection and security.

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Profile: With a 25-year heritage, Utmost Wealth Solutions is a provider of award-winning offshore bonds for high-net-worth UK residents. Having recently opened a Dublin office to complement our long-established Isle of Man base, we can now offer a choice of jurisdiction in addition to a range of investment options, including a bond with full discretionary management. Recognising the complex and continually changing financial planning landscape, our highly-respected technical support can help you consider appropriate solutions for your high-net-worth clients. With £12bn funds under management and 36,000 policyholders (31 December 2016), we're here to make a wealth of difference.

Offering: Flexibility and choice are at the heart of our single premium bonds. Our Isle of Man-based Evolution offers access to a wide range of investment options. The Estate Planning Bond, also Isle of Man-based, is combined with a discounted gift trust and is designed for IHT planning. We also have two Dublin-based life assurance bonds. Selection offers access to a wide range of open architecture investment options, while Delegation provides access to all the investment flexibility offered via a discretionary fund manager. Utmost Trustee Solutions, our in-house trustee service delivers expert support in all trust administration matters

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INTERNATIONAL INVESTMENT