INTERNATIONAL INVESTMENT

UK EDITION No. 2

# ASIA SPECIAL REPORT

## WHAT NEXT FOR THE ADVISER COMMUNITY?

# CONTENTS:

News • Analysis • Video • Features

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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:
# UK

Round-up of the latest news from the UK and overseas territories

UNITED KINGDOM

# STANDARD LIFE'S ROBO ADVISER IN REGULATORY DRY RUN

Standard Life's financial planning arm 1825 has listed its proposed robo-adviser as part of the UK Financial Conduct Authority's fintech regulatory sandbox scheme.

1825's robo-adviser has been developed to help individuals that do not have time or cannot afford the services of a financial adviser to be able to receive help with their retirement options.

The FCA said in a statement that it had received 69 applications for the fourth run of its sandbox scheme and has approved 29. Around 40% of the last round of entrants were exploring blockchain technology, the regulator said. **GR**

UNITED KINGDOM

# FCA TARGETS ADVISERS WITH DIRECTORY PLANS

The UK's Financial Conduct Authority (FCA) is to highlight the career history and the 'fit and proper' status of financial advisers and senior management in a new directory listing all individuals working within financial services.

The new directory will highlight FCA-regulated financial advisers and list all senior manager positions requiring FCA approval and those whose roles require firms to certify that they are 'fit and proper'. This includes anyone working in consumer-facing roles, such as mortgage and investment advisers, the UK regulator said in a statement announcing the launch.

The directory has been designed to provide "user friendly, practical and easy to understand information", with consumers able to search by location to find local advisers, but the list will also act as a 'go to' guide to ensure that all advisers that claim to be regulated are who they say they are.

The FCA said that its proposals are based on feedback on what consumers and firms would expect from the directory. It includes more information about individuals working in financial services than is currently available and does so in one, user-friendly place.

## Individual behaviour

Jonathan Davidson, executive director of supervision (retail and authorisations) at the FCA, said: "We've listened to feedback from firms and consumers about the importance of being able to check the status of financial services staff. Introducing the directory will make it easier for people to be confident they can find the right people to deal with.

"[It is] all about making sure that consumers can interact confidently with financial services professionals by making available information about their fitness and propriety." **GR**

ISLE OF MAN

# UTMOST WEALTH SOLUTIONS NAMES NEW GLOBAL HEAD

Utmost Wealth Solutions has named Stephen Atkinson as its new global head of sales and marketing.

Having worked in cross border sales for over 20 years, Atkinson previously represented Lombard International Assurance as their head of sales for northern Europe. Utmost's previous head of sales, Simon Woolnough, has left the company to seek new opportunities.

The Isle of Man-based company announced Stephen Atkinson is to take over in a new global head of sales and marketing role.

In a LinkedIn message, Woolnough explained it was his decision to leave: "I have spent the last 30 years with one organisation, through various acquisitions and mergers, and have chosen to take the opportunity to refocus my skills with a new and exciting challenge. I will be leaving this start-up business with sales ahead of target and our marketing function revitalised; working strongly with sales; and with a clear plan of delivery in 2018 and beyond."

The Isle of Man Axa Wealth business was acquired by Life Company Consolidation Group (LCCG) in September 2016 and rebranded Utmost Wealth Solutions.

After acquiring Generali PanEurope, now renamed Utmost PanEurope, Utmost Wealth Solutions became the second largest cross-border provider of unit-linked wealth management solutions in Europe having doubled assets under management to €24 billion over the last year.

Utmost chief executive, Mike Foy, said: “Stephen has a wealth of experience in the high-net-worth/ultra-high-net worth space. His technical knowledge and adviser connections will prove a great asset to the Utmost Wealth Solutions’ group of companies and help accelerate our growth. Stephen will lead and drive Sales and Marketing activity across the UK and Europe and will be pivotal in taking Utmost forward."

Foy added: "As a result of this development, Simon Woolnough will be leaving Utmost Wealth Solutions. I would like to thank Simon for the key role he has played in the progress of the business under the Utmost brand.” **PHG**

Utmost chief executive Mike Foy

UNITED KINGDOM

# QUILTER INVESTORS BRAND LAUNCHES AS FIRST UNDER NEW PLC

Quilter has announced the rebrand of its multi-asset investment business, which becomes Quilter Investors.

The £17.1bn (as at 31 March 2018) asset manager is the first business to rebrand under Quilter plc, with the new Quilter Investors name, logo and brand style now aligned with Quilter plc and reflected across all literature, reports and the company's website.

Its range of multi-asset investment solutions including Cirilium, Generation, Creation and the sub-advised funds within WealthSelect now carry the new brand and 'Quilter Investors' prefix, while the Compass portfolios for the international market will be rebranded at a later date.

The rebrand follows the recent listing of Quilter plc and the completion of the sale of the Old Mutual Global Investors single strategy business.

**"We are honoured to be the first business to have the opportunity to adopt the new brand"**

**Paul Simpson, Quilter Investors**

Paul Simpson, CEO, Quilter Investors, said: "Quilter Investors is a core part of the Quilter group strategy and we are honoured to be the first business to have the opportunity to adopt the new brand. As one of the fastest growing multi-asset investment businesses in the UK, we now have the chance to galvanise the success we have achieved under the new Quilter Investors identity."

Michelle Andrews, chief marketing officer, Quilter, added that as the company adopts its new name the aim is to ensure that Quilter "becomes synonymous with quality" in wealth management.

"The successful introduction of Quilter Investors is more than just a rebrand, it is a milestone in developing a modern range of multi-asset solutions that advisers feel confident in recommending and which deliver measurable outcomes for customers," she said. **GR**

UNITED KINGDOM

# UK REMAINS TOP FOR MONEY HELD AT SWISS BANKS


Swiss National Bank, Bern

The total money held in Swiss banks by foreign clients from across the world rose by about 3% to CHF 1.46 trillion in 2017 with the UK leading the list.

The latest data from the Swiss National Bank (SNB) shows the UK accounts for almost a third (27%) of foreign assets parked with Swiss banks. About CHF 403bn from UK citizens and companies are in the hands of Swiss banks. The UK saw an increase of over 12 % in such funds.

The US remains in second place despite a dip of 6% in such funds to CHF 166bn (11% share of all foreign funds). No other country accounted for a double-digit percentage share, while others in the top-ten included West Indies, France, Hong Kong, Bahamas, Germany, Guernsey, Luxembourg and Cayman Islands.

The funds, described by SNB as liabilities of Swiss banks or amounts due to their clients, are official figures disclosed by Swiss authorities. It does not include the money that foreigners might have in Swiss banks in the names of entities from different countries. **PHG**

UNITED KINGDOM

# AIC URGES 'RECKLESS' FCA TO CHANGE 'MISLEADING' KEY INFORMATION DOCUMENTS

The Association of Investment Companies (AIC) has claimed that consumers are being misled by Key Information Documents (KIDs) and has urged the UK Financial Services Authority to "act now" to protect consumers.

Research conducted by the AIC looked at 56 investment company KIDs and then compared their Summary Risk Indicators to the Summary Risk and Reward Indicators in the Key Investor Information Documents (KIIDs) produced by their 'sister' open-ended funds.  A 'sister' fund is a fund which shares the same manager, has the same overall investment strategy and a significant overlap in terms of portfolio.

Both KID and KIID indicators grade risk on a scale from 1 (low) to 7 (high), but they are calculated in different ways. The AIC points that given the existence of discounts and the possible use of gearing, the "accepted view" is that the investment company would be more volatile than its sister fund and therefore should, if anything, have a higher risk indicator.

**"Any suggestion that consumers will appreciate the subtle difference in methodology between the two risk indicators, when they are called virtually the same thing and presented in exactly the same way, is laughable"**

**Ian Sayers, AIC**

However the research found that the KIDs did not reflect that indicator. Indeed, none of the 56 investment companies has a higher risk indicator than its sister fund;  just three investment companies have the same risk indicator as the sister fund; 40 investment companies have a risk indicator one lower than the sister fund and 13 investment companies have a risk indicator two lower than the sister fund.

Ian Sayers, chief executive of the AIC, said: "Prudent investors might then check to see whether these returns are being obtained at the price of much higher risk by comparing the risk indicators of the two funds. Imagine their delight to discover that they can have these fantastic returns with lower risk.

"Of course, this is nonsense.  It reflects the reckless decision to allow competing products to produce seemingly identical information but calculated on a different basis.  Any suggestion that consumers will appreciate the subtle difference in methodology between the two risk indicators, when they are called virtually the same thing and presented in exactly the same way, is laughable.

“I cannot remember a time when consumers, directors, managers, analysts, trade associations and media commentators were so united in their criticism of a piece of regulation. Only regulators appear to have failed to spot what is obvious to everyone else, that basing future projections of risk and performance on the recent past was doomed to failure.”

Sayers added that the AIC has argued against the proposed Summary Risk Indicator as far back as 2010 “for precisely these reasons”, and we were not alone. However, he says, repeated warnings over the next eight years “fell on deaf ears”.

“Though we welcome the FCA’s decision to gather evidence, this should not be an excuse for further delays," he said. "The evidence is all out there and has been for six months. Though a longer-term solution will need to be carried out at the European level, the FCA should take steps today to protect consumers.

“A good start would be to acknowledge how bad this regulation is and then warn investors not to rely on these disclosures.” **GR**

UNITED KINGDOM

# NUCLEUS ANNOUNCE INTENTION TO FLOAT ON AIM

**Nucleus Financial Group Limited has announced its intention to float on the AIM market of the London Stock Exchange.**

**The independent wrap platform provider, said in a statement that it is applying for admission of its Ordinary Shares to trading on the AIM market of the LSE, with dealings expected to commence in “late July”.**

**Shore Capital is acting as nominated adviser, sole bookrunner and broker to the company and Craven Street Capital is acting as financial adviser to the company during the process.**

**David Ferguson, CEO and founder of Nucleus, said: “We started this business in 2006 to create value through greater strategic alignment of advisers and their clients. Our commitment to this goal drives the development of our award-winning platform and has enabled us to grow from AUA of £100 million in 2007 to more than £14.3bn today.”**

**“Nucleus has been an exciting journey so far and we expect this admission to AIM to mark an important milestone in the business’s maturity and to open up new opportunities for us. We remain committed to keeping adviser/client alignment and transparency at the heart of what we do and to continue developing a market-leading platform and best in class customer service to deliver on our objectives.”**

**More than 800 adviser firms are currently registered on the Nucleus platform, with over 2,200 adviser users across. The company is responsible for assets under administration of £14.3bn on behalf of more than 90,000 customers, according to company statistics, as at 31 May 2018. GR**

JERSEY

# DOUBLE TAX TREATIES PUSH HENDERSON FAR EAST FROM JERSEY TO LONDON

Jersey-based Henderson Far East Income Limited is studying a move to London to become a UK-based investment trust in a bid to cut costs and benefit from a more generous tax treatment.

In relation to the UK's dealing with countries in the Asia Pacific region, it has a greater number of double tax treaty agreements. This means companies are only taxed once, not twice.

The £443m company said in a statement to the London Stock Exchange that the Asia Pacific region is "subject to overseas withholding taxes" and rule changes which now mean UK-based companies are able to access lower rates of withholding tax in some jurisdictions than a Jersey resident company.

"The board has therefore concluded that, subject to appropriate tax, regulatory and shareholder approvals, it will benefit the company and shareholders if it becomes UK tax resident and becomes classified as a UK investment trust in order to avail itself of these treaties," it said.

Any proposed move is subject to shareholder approval.

Henderson Far East was originally based in London but moved offshore in 2006 to improve its tax efficiency as overseas income was subject to UK corporate tax at 30% at the time.

It currently earns investment income from a diversified portfolio of investments traded on the Pacific, Australasian, Japanese and Indian stock markets. **PG**

UNITED KINGDOM

# CANADA LIFE SELLS LEGACY CLIENT BLOCK TO SCOTTISH FRIENDLY

Canada Life has sold a block of its older UK policies to Scottish Friendly, Scotland's largest financial mutual. The deal, which will not impact on the company's international outlet Canada Life International, will allow parent company Canada Life to "concentrate on core markets".

Canada Life UK said in a statement that it has agreed to sell a block of 155,000 longstanding policies from its closed UK book with assets of £2.7bn to Scottish Friendly.

The Scottish mutual has agreed an arrangement under which Canada Life Investments will continue to manage a substantial portion of the transferring unit-linked assets.

A spokesperson for Canada Life International told *International Investment* that the deal would have "no impact at all" on the international Isle of Man or Dublin-based business.

The terms of the deal were not disclosed. Pending approvals including court sanctions, the formal transfer of the business is expected to complete late 2019.

The block of policies being transferred has largely been closed to new business since 2003 and comprises life and pensions savings policies, along with some protection policies all written in the UK, Canada Life said.

Doug Brown, chief executive officer, Canada Life UK, said: "This is an excellent move for both organisations, for Scottish Friendly by increasing their scale and for Canada Life to concentrate its resources around its core business strategy. Our priority is ensuring customers receive the highest standards of care both during this transition period, and beyond.

"Scottish Friendly has a great reputation in this area which gives us confidence that customers are in good hands.

"This was a difficult decision – many of these customers have been with us for years, arriving through acquisition or organic growth. However, following close evaluation it was clear that the sale is the right thing to do."

Jim Galbraith, chief executive of Scottish Friendly, said: "This activity is a key element of Scottish Friendly's three-part growth strategy so Canada Life and their policyholders can be confident that the process of change will be as smooth and seamless as possible and can look forward to the friendly and efficient service that Scottish Friendly specialise in."

Canada Life said that it will continue to administer these customer policies until the transfer, which is expected to occur in late 2019. **GR**

UNITED KINGDOM

# UK MPS CALL FOR END OF 'ALPHA MALE' CULTURE IN FINANCIAL SERVICES

The UK's Treasury Committee has called for the abolition of 'alpha-male' culture in finance and more to be done to encourage the progression of women to senior levels across financial services.

The committee has published a "unanimously-agreed" report calling for the reform of bonus negotiations and promotion of flexible working to abolish 'alpha-male' culture in finance and encourage the progression of women to senior levels.

Key recommendations include:

- Assess bonuses against clear criteria to abolish 'alpha-male' culture;
- Remove stigma of flexible working by senior men leading by example; encourage firms to publish strategies for closing gender pay gaps; and
- Partners and subsidiaries should not be exempt from gender pay gap reporting and firms should re-examine recruitment and promotion policies to eliminate unconscious bias, which will avoid potential applicants being deterred and avoid 'groupthink'.

The 'alpha male' culture that permeates financial services has been dubbed as the overwhelming reason that women said they do not want to get involved at the senior levels of the financial services sector.

The report found that the alpha-male culture in some organisations is evident in bonus negotiations, where it is perceived that men argue more forcefully for bonuses than women. This can result in higher rewards for men, and acts as a deterrent for women. Performance bonuses should be assessed against clearly objective and formulaic criteria.

Flexible working can be perceived as a "female" approach to working, and can adversely affect career progression.

Long working hours based in the office can be unnecessary in some roles, particularly with modern technology, but a culture of "presenteeism" persists.

Nicky Morgan MP,  chair of the Treasury Committee, said: "The reporting of gender pay gaps at financial services firms confirms that a large gap exists between men and women working in finance, in part due to significantly more men than women in higher earning and more senior positions.

"The next step must be for firms to set out how they will abolish their gender pay gap and support the progression of women. Firms should focus on changing the culture in financial services firms,

**"Firms should focus on changing the culture in financial services firms, which remains a deterrent for women, especially the bonus culture"**

**Nicky Morgan MP**

which remains a deterrent for women, especially the bonus culture."

Morgan added that the benefits of gender diversity are highlighted in the report, including better financial performance, reduced groupthink and more open discussions.

The average (mean) gender pay gap per hour at banks and building societies in the UK is 35%. The average (mean) gender pay gap for bonuses at banks in the UK is 52%.

Now that a large gender pay gap has been confirmed in the financial services sector by firms reporting their data, firms should now be required to publish their strategies for overcoming their gap and supporting the progression of women.

'Unconscious bias' can influence senior staff recruiting and promoting in their own image and legacy requirements in recruiting, such as 'masculine' language, or requiring a degree or certain hours to be worked, should be challenged to ensure that all requirements are strictly necessary, the report also found. **GR**

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.

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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.

HANSARD INTERNATIONAL

INTERNATIONAL INVESTMENT

# 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.
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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.

## 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

REGULATORS IN ASIA

### Hong Kong

### The Securities and Futures Commission

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.

"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.


**WHAT IS YOUR MAIN SOURCE OF BUSINESS?**

- Insurance
- Investments
- Other advice

**See results**

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.

# 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.

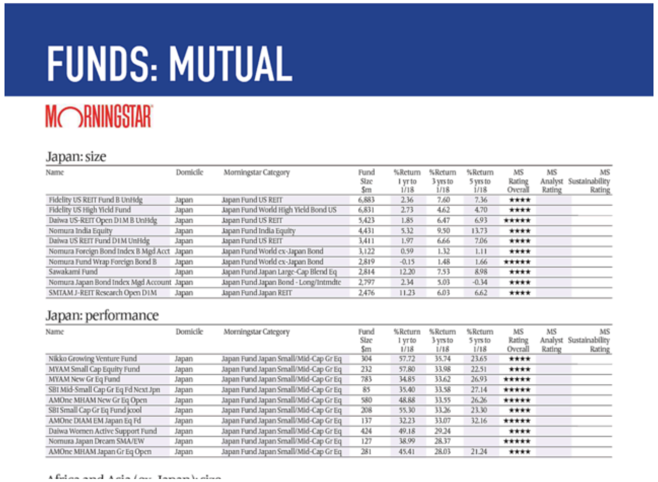
The Overall Morningstar Rating for a fund is a weighted average of the available three-, five-, and 10-year Morningstar Ratings.

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

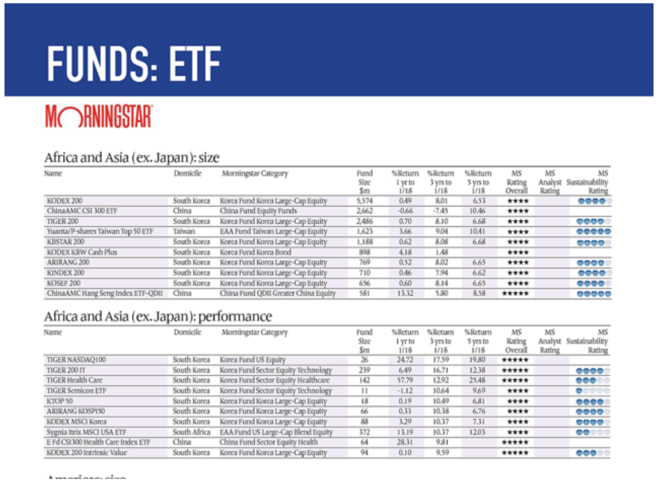
MORNINGSTAR

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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INTERNATIONAL INVESTMENT


# DIRECTORY: PROFESSIONAL SERVICES

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

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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 Worldwide, PO Box 613, Generali House, Hirzel St, St Peter Port, Guernsey, Channel Islands GY1 4PA**

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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.

HANSARD INTERNATIONAL

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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.

Investors Trust

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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.

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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.

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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