THE FUTURE OF

ASSET MANAGEMENT

IN ASIA 2024

FLEISHMAN HILLARD

“Investors are seeking to diversify their portfolios to build resilience during this period of global economic uncertainty. This presents significant opportunities for asset managers to expand their product offerings and communications strategies to cater to the needs of Asian investors.”

EXECUTIVE SUMMARY

Welcome to the third edition of The Future of Asset Management in Asia white paper! This report is particularly timely as it addresses the numerous opportunities and challenges arising from ongoing geopolitical tensions and regulatory changes in the industry that asset managers and investors are facing. These factors are fundamentally reshaping the asset management sector in Asia, making it critical for industry professionals to understand their implications.

The growing middle class in Asia and increasing appetite for private markets investments in the face of heightened market volatility are reshaping investment strategies and opening up new opportunities for asset managers in the region. Within the dynamic investment environment in Asia amid global economic challenges, investors are becoming more risk-averse and favoring lower market correlation options while also seeking long-term growth opportunities.

Our report findings indicate a mild decline in interest from Asian investors in traditional investment products such as equities funds and fixed income products in the next 12 months, leading to an increasing trend for portfolio diversification. Specifically, Asian investors hold a significant interest in private markets, including private equity (PE) funds (15%) and private credit funds (15%). This shift signifies a strategic diversification of portfolios amid the search for longer-term returns. This trend is evident in the region's growing interest in the PE space, with Asia holding 23.7% of the world's PE dry powder.[1]

On the other hand, technology, particularly artificial intelligence (AI) and machine learning, is revolutionizing investment analysis and management in the region. Asian investors recognize the transformative impact of AI and are actively seeking to capitalize on the sector's growth prospects and potential for superior performance, highlighted by 34% of Asian investors surveyed expressing interest in investing in AI funds over the next 12 months, the highest among other investment products.

While performance (93%) and credibility (92%) remain key considerations for investors when choosing an asset manager, ESG commitments (78%) continue to remain a key factor, with governments and regulators continuing to prioritize sustainable investing practices. This transition is backed by the significant inflow of funds into sustainable investments in Asia ex-Japan, with mainland China, Singapore and Taiwan collectively channeling a total of US$4.8 billion into sustainable funds.[2]

The Future of Asset Management in Asia report arrives at a crucial moment for the industry. As asset managers navigate geopolitical shifts, technological disruptions, and evolving regulations, we are here to serve as your trusted market communications adviser. Explore our website for more in-depth analysis of the asset management industry in mainland China in our sixth edition of The Future of Asset Management in China report. Together, we can navigate the challenges and seize the opportunities ahead.

Best regards,

Patrick Yu
General Manager, SVP and Senior Partner
Asia-Pacific Lead, Financial and Professional Services Sector
FleishmanHillard

FLEISHMAN HILLARD

ASIA

In 2023, the asset management landscape in Asia experienced a significant shift. The 2024 Calastone Global Fund Flows Report indicated that fixed income funds saw a remarkable turnaround, with Asian investors moving from net selling in 2022 (US$7.3 billion outflows) to strong net buying in 2023, contributing to a net inflow of US$9.4 billion. This trend was particularly evident in Hong Kong, Singapore, Taiwan, and Australia. However, the equities fund sector presented a mixed picture. While there were modest outflows in Singapore and Australia, and a more substantial withdrawal in Taiwan, Hong Kong stood out with net inflows, adding US$1.6 billion to the equities funds.[3] Despite market volatility, the Asian asset management sector demonstrated resilience and adaptability in response to changing market conditions.

BOOMING ETFS IN ASIA

The exchange-traded funds (ETFs) sector reached a remarkable milestone in 2023, with global ETF assets surpassing the US$11.5 trillion mark, as reported by the independent research firm, ETFGI. The industry's strong performance was emphasized by net inflows amounting to US$176 billion in December 2023 alone, contributing to the annual net inflows of US$938 billion. This was partly due to the Federal Reserve's decision to maintain steady interest rates, with hints of potential cuts in 2024, a move that was positively received by the markets. The Asia-Pacific region, excluding Japan, experienced a substantial surge, with assets escalating to more than US$1.1 trillion by the end of 2023, a significant leap from US$579 billion at the end of 2022.[4]

This upward trend, particularly in the Asia-Pacific region, signifies the increasing influence and acceptance of ETFs in the global financial landscape. According to Mordor Intelligence, the assets under management of the Asia-Pacific ETF Industry are expected to grow from US$1.17 trillion in 2024 to US$1.61 trillion by 2029, at a compound annual growth rate of 6.59% during the forecast period.[5]

NAVIGATING THROUGH DIFFICULTIES AND DISCOVERING NEW AVENUES IN PRIVATE MARKETS IN ASIA

The year 2023 was marked by uncertainty and a downturn in the Asian PE markets. The sentiment was largely negative, with an increase in failed deals and a reduction in transaction volumes (buyout investments decreased from 1,061 deals in 2022 to 947 in 2023). The process of closing deals was extended, and exits remained challenging, with a total value of US$60 billion, slightly down from US$63 billion in 2022, according to Deloitte analysis in the Asia-Pacific Private Equity 2024 Almanac.[6]

Similarly, Bain & Company's Asia-Pacific Private Equity Report 2024 highlighted a decline in total deal value to US$147 billion, continuing the downward trend observed since 2022. Exits were particularly impacted, and fundraising reached its lowest point in a decade. These trends in the Asia-Pacific PE market were a reflection of global trends, as the global buyout deal value saw a 34% reduction compared to the average of the previous five years.

Despite these challenges, Bain & Company's report indicated that PE funds that implemented a well-planned pre-sales strategy and demonstrated a strong equity narrative for their portfolio companies managed to attract buyers and a successful exit. Additionally, Deloitte's report also showed that the transaction value stayed relatively stable with buyout investments of US$119 billion, compared to US$109 billion in 2022, largely driven by portfolio management activities.

In this volatile year, many leading funds began to look into alternative asset classes such as infrastructure and private credit as potential growth areas, reflecting opportunities for expansion in the Asia-Pacific region.

ESG STILL ON THE RISE IN PARTS OF ASIA REGION

Net inflows into sustainable funds in Asia, excluding Japan, saw a notable decrease, dropping from US$7.2 billion in 2022 to a mere US$3.3 billion in 2023, as per data from Morningstar's Global Fund Flows.[7] The adoption of environmental, social, and governance (ESG) principles in Asian markets is described as uneven, with different regions progressing at varying rates and scales, especially when compared to Western markets. Nonetheless, Taiwan, mainland China, and Singapore emerged as the primary markets propelling net inflows into ESG funds, as indicated by the Morningstar's data.

FLEISHMAN HILLARD

ASIA

ESG funds in Taiwan attracted over US$2.5 billion, largely due to the impressive performance of the technology sector. Mainland China, the largest ESG fund market in Asia excluding Japan, recorded net inflows of US$2.1 billion, supported by ongoing product development. Thematic funds, particularly those with a focus on climate, proved to be quite appealing to mainland Chinese investors.

Looking forward, the ongoing development in related rules and guidelines is anticipated to foster a more targeted approach to ESG data availability, quality and transparency. This could potentially improve ESG investment strategies and shape the future of the ESG fund market in the region.

HONG KONG SAR

Amidst the backdrop of an uncertain environment and high interest rates, investors were drawn to the safe haven of money market funds last year, piling US$7.65 billion into locally domiciled money market funds, almost double the US$4.65 billion invested in such funds in 2022.

This meant Hong Kong-domiciled equities and mixed-asset funds both experienced significant net outflows of more than US$2 billion in 2023, the highest redemptions in both categories in five years. According to data from the Securities and Futures Commission (SFC), equities funds in the territory saw net redemptions of US$2.83 billion last year, more than double the amount in 2022 (US$1.31 billion), while mixed-asset funds saw net outflows of US$2.37 billion last year, also more than doubling the outflows compared to the previous year.[8]

These fund flows reflected the level of investor sentiment in Hong Kong last year. However, there is potential improvement in 2024, with several new initiatives and reforms to be enacted.

NEW INITIATIVES IN PLACE TO BOOST THE ASSET MANAGEMENT INDUSTRY

Hong Kong's SFC announced in December 2023 that it would allow retail funds to incorporate exposure to virtual assets for the first time, including permitting virtual asset spot ETFs, ramping up efforts to establish Hong Kong as a key crypto hub and enhance its virtual-asset industry. Just four months after the announcement, the SFC granted conditional approvals to two asset managers in the city to launch the first spot bitcoin and ether ETFs. Introducing spot crypto ETFs will attract both institutional and retail investors to gain exposure to virtual assets.[9] A senior ETF analyst at Bloomberg believes that Hong Kong's spot crypto ETFs could attract up to US$1 billion over the next two years if the city's crypto trading infrastructure and ecosystem can be improved quickly.[10]

In September 2023, the SFC gave permission for the territory's first real estate fund security token offering, significantly reducing the minimum investment threshold for this asset class. This is another major signal from Hong Kong regulators that they are committed to positioning the city as a crypto and digital assets hub.[11]

REFORMS OF THE MAINLAND-HONG KONG MUTUAL RECOGNITION OF FUNDS SCHEME

As part of a broader initiative to invigorate Hong Kong's capital markets, the China Securities Regulatory Commission (CSRC) has proposed easing the restrictions on the asset proportion that an eligible fund can accumulate in each market under the Mainland-Hong Kong Mutual Recognition of Funds (MRF) scheme. Furthermore, the CSRC has indicated that the investment management function of Hong Kong-based funds under the scheme could now be transferred to foreign asset management institutions under the same asset manager.

The new moves are not only aimed at attracting more managers to set up Hong Kong-domiciled platforms, but also enabling a more diverse range of products to be offered under the allowance of investment delegation, including global mixed-asset funds, US equities funds, and sector funds.

Under the northbound route of the Mainland-Hong Kong MRF scheme, a total of 40 fund products domiciled in Hong Kong are available for purchase by mainland Chinese investors. The composition of these funds includes 16 equities funds, four mixed-asset funds, 17 fixed income funds, and three index funds.[12]

As of the end of February 2024, the cumulative assets amassed by Hong Kong-domiciled funds sold in mainland China via the northbound scheme amounted to US$2.95 billion. In contrast, the assets accumulated under the southbound scheme reached US$136 million.[13] This data underscores the significant role of the MRF scheme in facilitating cross-border fund sales and investment opportunities. Indeed, the rule changes could attract more inflows and assets from mainland Chinese investors, enabling a more effective investment diversification.

MORE INITIATIVES URGED TO ENHANCE HONG KONG'S APPEAL FOR ALTERNATIVE ASSET INVESTORS

While Hong Kong is widely recognized as Asia's leading asset management hub, the Alternative Investment Management Association (AIMA) has urged the Hong Kong SAR government to put in place more incentives to enhance the city's appeal as a preferred location for alternative assets, such as modernizing Hong Kong's tax regimes for carried interest

HONG KONG SAR

and investment funds, as well as eliminating uncertainties around the Unified Fund Exemption regime. With investors increasingly looking to diversify into the alternatives segment, AIMA advises that Hong Kong regulators need to further reform fund rules to remain a competitive jurisdiction for funds to hold and manage their investments in the region.[14]

GROWING NUMBER OF ESG FUNDS IN HONG KONG

According to the Hong Kong SAR government, more than 200 ESG funds are now registered in Hong Kong, with assets under management exceeding US$160 billion as of September 2023. This represents a growth of 28% year-on-year, highlighting Hong Kong's role in promoting green and sustainable finance development[15], especially when compared to other Asian financial centers for asset management.

However, a survey conducted by GlobeScan and InfluenceMap in July and August 2023 found that out of ten major markets globally, investors in Hong Kong have comparatively low support for fund and pension managers increasing engagement activities for ESG issues, with only 18% of investors showing "strong support" for fund companies providing information on the impact of investment on climate change.[16] This suggests a need for further efforts to enhance investor awareness and engagement on ESG considerations in the asset management sector.

NEW SUSTAINABILITY AND CLIMATE CHANGE DISCLOSURES IN HONG KONG

In November 2023, the Hong Kong Stock Exchange (HKEx) announced that the postponement of the mandatory inclusion of climate-related disclosures in annual ESG reports for all listed issuers in Hong Kong. The implementation date, originally set for 1 January 2024, has been pushed to 1 January 2025.[17] This extension provides issuers with much needed time to familiarize themselves with the new climate-related disclosure requirements and develop communications plan that meet stakeholders' requirements.

In addition, owing to the increasing demand for green and sustainable investment products driven by rising global climate change awareness, the Hong Kong Monetary Authority (HKMA) issued a circular on 29 November 2023 regarding registered institutions' (RIs) sale and distribution of such products. RIs are expected to review the circular and enhance their policies and procedures by no later than 29 November 2024. These enhancements will include areas such as product due diligence, customer's sustainability preferences and disclosure practices. The aim is to manage potential risks arising from the sale and distribution of green and sustainable investment products to customers.[18]

FUTURE OUTLOOK

In light of expected investor sentiment in 2024 and various potential government initiatives, including the expansion of mutual-market access scheme to encompass Real Estate Investment Trusts (REITs), the integration of RMB counters in the Southbound Trading of Stock Connect, and the introduction of block trading,[19] Hong Kong is poised to attract additional capital and facilitate fund sales.

Furthermore, with the inclusion of more international companies for Southbound trading under Stock Connect,[20] Hong Kong will continue to serve as a critical conduit between mainland China and global markets. Given this strategic position, the city is well-positioned to capitalize on mainland China's untapped market. Notably, mainland Chinese investors are relatively underinvested in overseas markets, with overseas portfolio investment accounting for only 6.1% of Gross Domestic Product (GDP) in 2020. In contrast, the US and Germany boast percentages of 70.1% and 114.7%, respectively, according to balance of payments and GDP data compiled by the International Monetary Fund.[21]

The Hong Kong Investment Funds Association (HKIFA) has urged the government to carry out a "holistic review" of areas within the stock market to improve stock market liquidity and instill confidence in the local investment management industry.[22] Hong Kong still has deep pools of liquidity and extensive capital markets infrastructure, positioning the asset management industry favorably for when investor sentiment rebounds. Market performance will also hinge on the government's progress in expanding its relations with Southeast Asia and the Middle East, as well as the economic recovery in mainland China which greatly impacts Hong Kong's asset prices. Hong Kong must demonstrate its ongoing role as a global financial hub, not only as a connector to and from mainland China but also a gateway to alternative markets.[23]

MAINLAND CHINA

Faced with global macro-economic challenges, mainland China is experiencing a short-term decline in foreign investor interest in mainland Chinese stocks and bonds, leading to an impact on capital flows.[24]

According to Financial Times calculations based on data from Stock Connect trading scheme, net foreign investment into mainland China fell from US$32.5 billion in August 2023 to just US$4.25 billion by the end of December 2023, with nearly 90% of foreign money withdrawn from the onshore equities market last year. Global active long only funds alone pulled a combined US$3.8 billion from the equities market in mainland China and Hong Kong in December 2023, marking the worst monthly outflow of the year. While data released in February 2024 by the People's Bank of China showed that foreign entities held a total of US$390 billion onshore Chinese equities at the end of 2023,[25] the Institute of International Finance predicts another US$65 billion of capital will be withdrawn from mainland Chinese equities and bonds in 2024.[26]

However, the government remains committed to supporting the asset management sector, and mainland China regulators and central banks continue to implement a series of measures aimed at improving investor confidence and boosting market flows, such as requesting state-owned firms to purchase ETFs tracking the mainland Chinese stock market and asking fund firms to limit net sales of equities.

MAINLAND CHINA ACCESS EXPANDS VIA WFOE PFM, QDLP AND FMC LICENCES

The Wholly Foreign Owned Enterprise Private Fund Manager (WFOE PFM) and Qualified Domestic Limited Partner (QDLP) schemes have become key avenues for foreign asset managers to access the local market in mainland China. It is notable that mainland Chinese authorities are looking to expand and integrate these schemes including the Fund Management Company (FMC) licenses as part of their ongoing efforts to open up the financial market.

Following the launch of the first QDLP fund managed by a WFOE private fund manager in March 2023, the Shenzhen Municipal People's Government issued the "Printing and Distributing and Implementing Plan for the Opinion on Financial Support for the Comprehensive Deepening of Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone" in July 2023 to support its reform and opening up. This plan seeks to explore the Shenzhen-Hong Kong Private Fund Connect mechanism, improve the efficiency of the Qianhai Co-operation Zone's pilot scheme, which includes Qualified Domestic Investment Entity (QDIE), Qualified Foreign Limited Partnership (QFLP), and WFOE PFM, and lower the entry barriers for Hong Kong investors.[27]

The plan also enables entities that hold QFLP qualifications to apply immediately for QDIE qualifications, as well as entities to apply for both QFLP and QDIE qualifications or to begin QDIE and WFOE PFM operations,[28] promoting greater cross-border investment cooperation between Shenzhen and Hong Kong.

With regard to FMC licenses, another Europe-headquartered asset manager obtained approval to set up an onshore fund management company in August 2023,[29] becoming the last in the group of six global asset management houses which have secured mainland Chinese regulatory approval to establish WFOE retail fund units to conduct business within the mainland China's mutual fund industry.

ETFS ON THE RISE IN 2023

Mainland Chinese ETFs that track the benchmark CSI 300 have been favored by investors looking to buy at the bottom, having experienced continuous capital inflows since the second half of 2023.[30] The low valuation of the CSI 300 emphasized its long-term investment value, drawing attention in the market. Overall assets in mainland China's ETF market surpassed the CNY2 trillion (US$280 billion) mark for the first time in late 2023, reaching US$277 billion by the end of December 2023, having raised US$60.7 billion since the beginning of the year, according to Wind data.

Equities ETFs experienced record high inflows of US$66.2

MAINLAND CHINA

billion last year, nearly double the previous year. Mainland China's ETF market grew by more than 20% last year, as investors preferred passively managed products over actively managed ones. Fixed income fund assets rose by 24% last year, reaching an all-time high of US$735 billion. The increase in bond fund assets was driven by the outperformance of domestic fixed income strategies compared to equities funds and balanced funds.[31]

PRIVATE MARKETS INVESTMENTS

The PE market in mainland China had a quiet 2023 with many firms choosing to diversify to other markets across the Asia-Pacific region, such as India, Japan, Australia and South Korea. This shift is largely due to general investor sentiment in mainland China and high capital outflows in 2023. The secondary market is offering some opportunities as the valuation of mainland Chinese equities falls, however, there has been a substantial spread between bid and ask prices over the past 12 to 18 months. Lower market liquidity has made it challenging for PE investors to exit compared to public investors.[32] Secondary buyers have been seeking discounts ranging from 30% to over 60% causing PE firms to explore alternative strategies, such as setting up continuation funds to take over holdings for future years, according to people familiar with the market.[33]

MORE ESG AND SUSTAINABILITY GUIDELINES IN PLACE IN MAINLAND CHINA

ESG investing is a bright spot in the mainland Chinese asset management market. According to Morningstar, the number of sustainable funds in mainland China has tripled over the past 2.5 years, with mainland Chinese asset managers expanding their sustainable product offerings to align with the mainland Chinese government's "dual-carbon" goals announced in September 2020. Despite challenges in the stock market, sustainable funds have continued to achieve inflows since 2020, driven by the government's policies. However, although positive fund flows have been recorded recently, a Morningstar report indicated that sustainable assets under management in mainland China decreased to US$43.5 billion as of the end of June 2023, largely due to the overall domestic stock market performance.[34]

Currently managers are not mandated to disclose the ESG exposure of each fund, making it difficult for investors to assess the actual level of ESG integration in a fund, and many asset managers in mainland China have advocated for an improved public disclosure framework with standardized ESG disclosure rules. However, there is still a large cost associated with acquiring ESG data or analytical tools and many mainland Chinese asset managers do not perceive the demand for ESG investing to justify the expenditure. Despite these challenges, mainland Chinese managers continue to launch ESG funds and factor ESG into their investment decisions. Between 2018 and the first half of 2023, mainland Chinese firms rolled out at least 477 fund products that carry "ESG", "Social Responsibility" or "Green" in their names, most of which were equities funds or mixed-asset funds,[35] according to a new research report cited by the 21st Century Business Herald.

In February 2024, mainland China's three key stock exchanges - the Shanghai Stock Exchange, Shenzhen Stock Exchange and Beijing Stock Exchange announced their first sustainability-related reporting guidelines, marking a significant step in the country's transition towards a green economy and alignment with international ESG trends. The guidelines aim to enhance listed companies' understanding of sustainable development, improve their information disclosure and educate them on implementing sustainability within the organization.[36]

ENHANCED OVERSIGHT OF THE DOMESTIC ASSET MANAGEMENT INDUSTRY

In February 2024, Wu Qing was appointed as the new Chairman of the CSRC, and he shared his plan for a much stricter regulatory approach for mainland China's asset management industry. This transition came after several regulatory policies aimed at strengthening the onshore A-shares market and boosting investor confidence, such as restrictions on short selling, which came into force amidst the stock market slump.[37]

Since then, the securities watchdog has introduced a range of policies intended to increase regulatory oversight of the domestic asset management industry and reduce non-compliance. These measures include demanding that shareholders of fund companies improve the management of their own businesses. The CSRC stated that the effectiveness of governance, the implementation of risk prevention, and the awareness of compliance are not high enough in the asset management industry. Tighter governance is required to cultivate a stable financial ecosystem, with the overall goal to have a "comprehensive and effective regulatory system" by 2035.[38]

MAINLAND CHINA

FUTURE OUTLOOK

There has been substantial policy support from the mainland Chinese government to stabilize the economy with more measures expected, especially in the property sector. As a result, outflows from mainland Chinese equities paused through the end of February 2024, and regional managers have begun adding growth and tech stocks in the mainland Chinese market[39] as confidence returns. Meanwhile, some funds are reported to have started trimming holdings in India stocks due to high valuations, creating an opportunity for mainland Chinese stocks to re-enter global portfolios,[40] especially when market valuations are at extremely low levels. For many investors, mainland Chinese stocks have not yet reached their lowest point, although they could see signs of a rebound, which presents a potential opportunity for investors in the future.[41]

Given mainland Chinese regulators' renewed dedication to boosting investor confidence and market flows, as well as a gradual recovery in its market performance, it is believed that the outlook for mainland Chinese asset management remains resilient for 2024.

JAPAN

The Japanese market has witnessed strong investor appetite for global and domestic equities strategies so far this year. In February 2024, Japan's fund flows hit a new monthly high, reaching US$9.48 billion and surpassing the record set in January 2024, according to the Morningstar Direct Japan Asset Flows Update. This achievement comes after the extension of Japan's Nippon Individual Savings Account (NISA) scheme at the beginning of January 2024, when the investment limits for the NISA scheme were increased and a permanent tax exemption was launched, thereby boosting Japan's total net fund assets.[42]

The new tax-free investment scheme was aimed at persuading retail investors in Japan to channel their savings into stocks and mutual funds; however, many individuals have opted to purchase overseas equities instead of Japanese equities. Although Japanese equities funds doubled their net inflows in January 2024, these inflows amounted to only one-ninth of the inflows into global equities funds. Nonetheless, global investors remain interested in Japanese equities and are growing their exposure in this market, even if some domestic retail investors prefer foreign equities.[43]

GLOBAL EQUITIES FUNDS AS THE PREFERRED ASSET CLASS

The most preferred asset class for Japanese investors continues to be global equities funds, which attracted US$7.5 billion in cumulative net flows across both active and passive strategies in February 2024, due to a high demand for US equities funds. Focus on US interest rates policy meant that fixed income products also achieved growth in the same month.[44]

PRIVATE MARKETS THRIVE AMID SURGING DEALMAKING

At the same time, financial institutions are increasingly looking at private markets and alternative investments, becoming less excited by traditional assets such as fixed income. Some even plan to reduce allocations to domestic bonds. Conversely, asset owners are planning to increase allocations to private debt and extend PE investments.[45]

While other PE markets in Asia have struggled with activity levels over the past year, dealmaking in Japan nearly tripled last year, compared to the annual average from 2018 to 2022, a report from Bain & Co showed. This was largely driven by low interest rates, a weaker yen, and a broad range of targets, all of which favor overseas buyers. Momentum in the M&A space is expected to continue in the Japanese PE market for the rest of 2024 and beyond.[46]

The Tokyo Stock Exchange reforms are creating further opportunities in the Japanese PE space, as it has requested that all listed companies on the Prime and Standard markets take "action to implement management that is conscious of cost of capital and stock price" resulting in an increasing number of take-private deals.[47]

While other markets in the Asia-Pacific region experienced weakness in buyout valuations, Japan was the most active buyout market in the region in 2023. Lower valuations means that exits are comparatively simple in Japan's PE and venture capital markets because returns can be reached through operational efficiency and margin improvements. However, it can be difficult to find the right talent in the market to execute these local deals. Global asset managers need local PE professionals who align with the corporate culture, but it can be challenging to attract these candidates in an illiquid labor market.[48]

NEW ESG GUIDELINES AIM TO ATTRACT FOREIGN INVESTORS

Despite the positive performance of its stock market, Japan has generally been seen as a laggard in certain aspects of ESG practices, partly due to unclear regulations. ESG investors believe there are still many under-appreciated opportunities in Japan's leading companies. Despite its goal to be carbon neutral by 2050, Japan has only recently announced to stop building new coal power plants, and this reliance on coal may explain why sustainability investors have not seriously considered market opportunities in Japan previously.[49]

Listed companies in Japan are being pushed to focus more on ESG standards, with the recent attractiveness of the stock market shining a light on current standards at large corporations. Foreign investors are expressing their ESG

JAPAN

demands for Japanese companies, with governance standards arising as a frequent area where improvement is needed.[50]

Towards the end of 2023, Japan's Financial Services Agency (FSA) launched a new impact-focused communications platform to enhance collaboration between government bodies, academic professionals, and financial institutions. Last year, it also released guidelines for ESG rating and data providers and implemented an ESG fund labelling regime.

However, flows into Japan's sustainable funds continued to be negative, with net outflows reaching US$1.7 billion in the three months to the end of September 2023, according to Morningstar's Global Sustainable Fund Flows Report.[51] Japan's FSA is expected to further strengthen its impact investing guidelines and enhance mandatory sustainability disclosures to attract more foreign investors.

NEW MEASURES TO BOOST LOCAL ASSET MANAGEMENT INDUSTRY

In a bid to bolster Japan's asset management sector and enhance asset ownership, the Japanese government unveiled its "Policy Plan for Promoting Japan as a Leading Asset Management Center" in December 2023.[52]

Central to this plan is the newly revamped program Nippon Individual Savings Account (NISA) launched in January 2024, a tax exemption scheme for retail investors. The updated NISA program offers two investment options, allowing individuals to invest up to US$120,000, tax-free, over their lifetime—more than twice the previous program's limit. Additionally, the tax-exemption periods are now permanent, in contrast to the previous five- or 20-year limits.[53] By doubling down on NISA, the government aims to encourage households to invest in productive assets. This move not only benefits individual investors but also contributes to overall investment, economic growth and wealth distribution.

Another key idea of this plan is the facilitation of entry for new players into the sector through a new program called "Emerging Manager Program".[54] Historically, the entry of new firms into Japan's asset management business has been constrained due to the unique business practices and inherent barriers in the country. Recent industry consensus also underscores the critical importance of diversifying options for household investors beyond the established players.[55]

As part of the program, a consolidated list of emerging asset managers will be provided[56] to advocate for the consideration of emerging players as viable alternatives by major banks and securities group firms. In line with this, the Government Pension Investment Fund, the world's largest pension fund, has signaled its receptiveness to investing with new asset management companies.[57] The program suggests that the infusion of new players into the sector could catalyze the development of superior products and services for investors.

Reforming corporate governance at listed Japanese companies is also a key focus in Japan. The Tokyo Stock Exchange has been collaborating closely with global and domestic asset managers and institutional investors to enhance governance through improved stakeholder activism. Major challenges in this space include gender diversity, disclosure, cross-shareholdings and conflicts of interest, as well as parent-subsidiary listings.

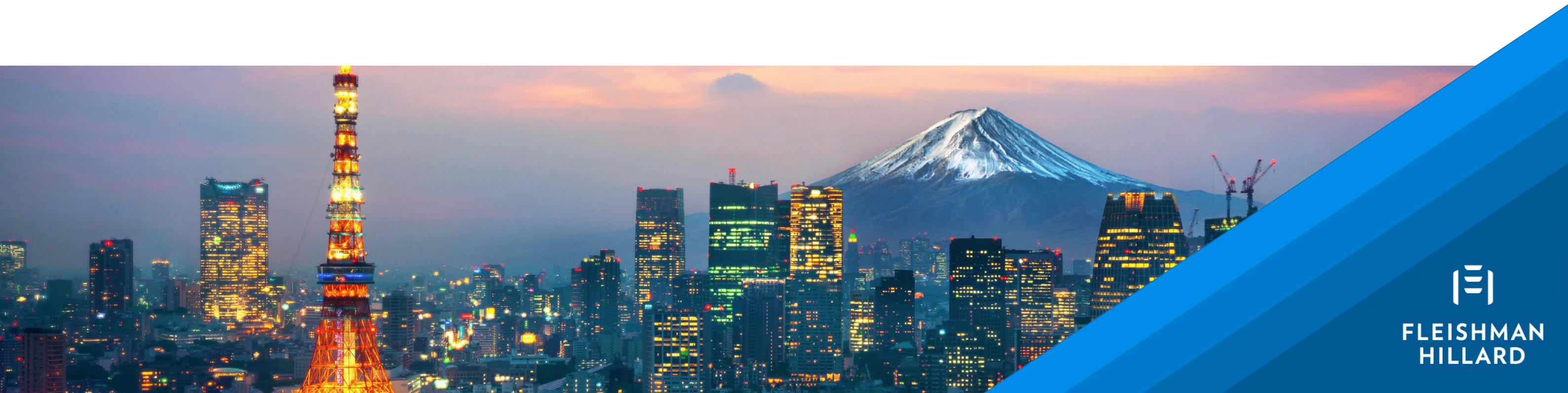
Gender diversity goals in Japan are not very ambitious and many boardrooms remain mostly composed of older males, causing a significant gender gap between listed companies in Japan and other markets in the Asia-Pacific region. As global investors increase their involvement in the domestic market, local businesses are becoming more receptive to adopting foreign management styles.[58]

Investor groups have been demanding change to ensure that firms remain competitive and attractive to global markets and the government has also stepped up its efforts. The Japanese regulator has pledged to adopt the IFRS Sustainability Standards no later than April 2025 and announced bold emissions reductions targets.[59]

FUTURE OUTLOOK

With predictions suggesting that the broader Tokyo Stock Price Index (TOPIX) may hit a record high this year, fund flow data indicates the potential for an influx of trillions of yen. Additionally, continued inflation in the world's third-largest economy could discourage cash hoarding, potentially motivate households to transition their cash savings into investments, driving a shift in investment habits and attracting more capital to the asset management industry.

Under Prime Minister Fumio Kishida's initiatives toward a "new form of capitalism" and the government's various measures to promote Japan as a leading asset management center, there is the potential for a continued increase in activity in the sector, leading to a positive outlook for the Japanese asset management industry.



SINGAPORE

Following a challenging 2022, during which Singapore saw its first decline in assets under management (AUM) since 2011, falling 10% to US$3.65 trillion[60] according to MAS Singapore Asset Management Survey 2022, 2023 concluded with a more optimistic note. The market showed cautious optimism as global equities rallied over 22%[61] as indicated by the MSCI AC World Index, and global bonds recovered from early losses[62] amid growing confidence in a US economic soft landing, replacing previous recession fears.

However, macroeconomic headwinds persist, with the asset management industry in Singapore facing mounting cost pressures and intensifying competition. This is set against the backdrop of "a higher for longer" interest rates environment, geopolitical tensions, and ongoing supply chain disruptions due to global conflicts, all contributing to price pressures.

Inflation has shown signs of slowing[63] beyond the seasonality of the Lunar New Year and one-off events such as Taylor Swift's Eras tour concert. This slowdown could potentially allow the central bank to ease monetary policy in the second half of the year. A less restrictive monetary policy has the potential to stimulate economic activity, boost asset prices, and drive increased investment in the asset management sector. In March 2024, economists surveyed by the central bank upgraded Singapore's 2024 growth forecast to 2.4%, up from 2.3% in December 2023.[64]

Singapore's trade ministry expects GDP growth of 1-3% this year,[65] recovering from last year's 1.1% growth. Nevertheless, risks of inflation remain, including fresh shocks to global energy and increased shipping costs due to geopolitical conflicts and higher food commodity prices from adverse weather events.

Despite the challenging landscape, Singapore's asset management sector demonstrated resilience, maintaining its position as a key gateway in Asia, particularly for private wealth, private credit, and hedge funds.

The industry numbered more than 1,200 asset managers by the end of 2023,[66] including 470 PE and venture capital managers as of the end of 2023. This growing figure reflects continued interest from foreign asset managers seeking to establish a foothold in the city-state.

RAPID EXPANSION OF SINGLE-FAMILY OFFICES

In 2023, an additional 300 single-family offices (SFOs) benefited from tax incentives, bringing the total to approximately 1,400, according to Deputy Prime Minister Lawrence Wong's latest update in Parliament on March 6, 2024.[67]

The Monetary Authority of Singapore (MAS) had previously reported that 1,100 SFOs benefited from tax incentives by the end of 2022, up from 700 in 2021 and 400 in 2020, respectively underscoring the sector's rapid expansion. Despite this growth, institutional investors remain the primary source of inflows into Singapore, with family offices and High net worth individuals (HNWIs) representing only a small fraction of the total AUM.

ATTRACTING HEDGE FUNDS AND ALTERNATIVES MANAGERS

The MAS noted an uptick in global hedge fund managers establishing offices in Singapore, with the number exceeding 250 as of the end of last year. Additionally, there has been a rise in private credit and other alternative managers, with notable players such as Blackstone, the world's largest alternative asset manager, planning to double its PE headcount in Singapore over the next two years to capitalize on dealmaking opportunities in Southeast Asia. Other new entrants in the alternatives space mentioned by the central bank include Apollo, HPS, and Oaktree.[68]

SINGAPORE

BECOMING THE GLOBAL ASIA GATEWAY

Singapore, often dubbed the "Switzerland of Asia" for its political neutrality, has emerged as the preferred destination for numerous international businesses seeking to mitigate the challenges of an increasingly politicized global business environment. Positioned as a gateway to address the expanding investment demands in Asia, Singapore benefits from the projected growth of the middle-class population in the region, expected to rise from 2 billion in 2020 to 3.5 billion by 2030.[69]

The growth of fund domiciliation in Singapore has been remarkable, with many asset managers recognizing the advantages of consolidating their investment management and fund domiciliation activities in the country. Since the introduction of the Variable Capital Companies (VCC) framework in 2020, over 1,000 VCCs have been incorporated or re-domiciled in Singapore by 550 regulated fund managers based here.[70]

In 2023, Singapore maintained its position as Asia's largest financial hub for the second straight year, surpassing Hong Kong.[71] Singapore's AUM has exhibited steady growth over the past decade, expanding at an annual rate of 12%.[72]

DRIVING ESG INTEGRATION AND TRANSITION FINANCING

As an asset management hub, Singapore is well placed to drive sustainable and transition financing efforts for the region and beyond. With sustainability in mind, Singapore aims to establish itself as a regional leader for sustainable asset management where institutional investors and fund managers can access pan-Asian opportunities. There is strong support from the MAS and the Singapore Exchange (SGX) to provide clear direction for ESG and sustainability initiatives. For instance, the MAS and SGX jointly launched an online sustainability reporting portal called ESGenome to support companies in their disclosures.

In addition to top-down drivers from regulators and policymakers, client demand is also a significant driver for ESG integration, particularly among Singaporean HNWIs who have shown strong interest in incorporating ESG and sustainability within their portfolios. An industry report showed that Singaporean HNWIs are the only group within APAC prioritizing values-driven sustainable investments over superior returns.[73]

ONGOING REGULATORY INITIATIVES TO FOSTER ESG GOVERNANCE

While demand for ESG funds remains robust, enhancing transparency and governance is essential to instill confidence among investors and ensure sustainable growth in the sector.

In December 2023, the MAS collaborated with industry stakeholders to release a code of conduct for ESG rating and data product providers.[74] Additionally, in October 2023, the MAS sought industry feedback on a set of proposed multi-sector guidelines for transitioning to a low-carbon economy.

ADVANCING TOKENIZED FUNDS

There is also a potential emerging market for tokenized funds within Singapore's asset management industry. The central bank has been working with industry stakeholders, including public and private sector entities, to digitize finance and develop infrastructure for large-scale asset tokenization.

Currently, one global asset manager has already piloted the issuance of digital VCC funds, to simplify the traditional issuance process and streamline distribution and secondary market trading by removing intermediaries and administrative steps.[75]

To support the transition of fund tokenization pilots into the commercial phase, MAS is collaborating with these pilot managers to address the legal and regulatory implications associated with tokenized investment funds. In conjunction with industry partners, MAS is leading efforts to explore the potential advantages of asset tokenization for the financial ecosystem.

FUTURE OUTLOOK

According to the latest survey conducted by the Investment Management Association of Singapore (IMAS), which polled 147 asset managers and investment houses overseeing a collective US$34.6 trillion in assets within the city-state, fund managers express optimism regarding the outlook for Asian financial markets this year.[76] This sentiment is underpinned by indications of stability in global economic growth, easing inflationary pressures, expectation of a US economy soft landing, and a more favorable outlook for mainland China.

SOUTH KOREA

The South Korean government has been easing policies and updating regulatory framework to strengthen foreign investment as part of its annual goal to attract US$35 billion in foreign direct investment (FDI). As a result, foreign investment is expected to continue growing this year, according to Ministry of Trade, Industry and Energy.

In early April 2024, the Korean Ministry of Trade, Industry and Energy unveiled the Foreign Direct Investment Status Report for the first quarter 2024, revealing an all-time high FDI commitment of US$7.05 billion, representing a 25.1% increase year over year (YoY). Within the service segment, which recorded US$3.85 billion in FDI pledges (a 2.5% decrease from same the same period last year), the finance and insurance industry received FDI pledges worth US$2.19 billion, reflecting an increase of 34.3% YoY.

The US made the largest amount of investment commitment at US$720 million, followed by the European Union (EU) at US$570 million. This amount has decreased YoY by 3.4% and 69.8% respectively, due to the base effect driven by large sum of investments committed last year.

During the first three months of 2024, the largest quarterly foreign inflows to Korean shares were recorded from foreign investors buying a net US$12.2 billion of local stocks,[77] the second largest amount in Asia following Japan. Global chipmakers active in the AI supply chain, such as Samsung Electronics, Hyundai Motor and SK Hynix were among the most sought-after stocks. This huge influx was driven by the AI boom, a recovery in the semiconductor sector and the impending rollout of the Korean government's "Corporate Value-up Program" to combat the "Korea Discount,"[78] which tends to undervalue Korean stock markets.

FIXED INCOME PRODUCTS ON THE RISE

With a growing expectation for Fed rate cuts at the beginning of 2024, a record number of corporate bonds totalling US$28.8 billion were issued during the first quarter of the year and their popularity is expected to continue, according to Korea Exchange.

A growing number of retail investors have been shifting their focus from stocks to fixed income, drawn by the appeal of higher bond interest rates and the simplified investment process they provide.

PRIVATE MARKETS LANDSCAPE CONTINUES TO EVOLVE AND RECOVER

In 2023, South Korea's PE funds saw their assets under management increase by 7.2% to US$442 billion, with the growth predominantly seen in real estate and special assets sectors.[79] Additionally, South Korean PE firms amassed a significant amount of dry powder, totalling around US$22 billion. This accumulation sets the stage for a vibrant year in M&A, especially considering the existing backlog of deals in the PE industry. The market is expected to undergo an increase in activities such as public tenders targeting undervalued listed companies, as well as secondary deals where PE funds repurchase assets to facilitate exits or as strategic alternatives. Furthermore, an increase in the creation of continuation funds by General Partners is anticipated for transferring assets upon the maturity of the initial funds.[80]

The private markets landscape in South Korea is evolving, underscored by the launch of the country's first real estate PE fund dedicated to institutional investors. While PE sector has led investments in South Korea, the significance of private debt is also becoming more pronounced, with its market growth attracting attention. The Korea Investment Corporation (KIC) has decided to categorize private debt as an independent asset class,[81] and prominent Limited Partners, including pension funds and mutual aid associations, are considering launching private debt funds within this year.[82]

After facing several challenges in recent years, the M&A market is expected to recover this year, bolstered by increased resilience to inflation, high interest rates, and geopolitical tensions. This improved climate is expected to foster a fertile ground for deal-making, especially with the pooling of assets that accumulated during the economic downturn.[83] However, the overall market's recovery is predicted to be gradual, warranting a more cautious approach, particularly

SOUTH KOREA

among smaller PE firms. The changing capacity of Limited Partners (LPs) and the complexity of the current economic environment will likely steer investments towards more stable, mature opportunities.[84]

On the venture capital front, the industry is hopeful that this year's investment size will surpass that of 2023, driven by increased policy funding and eased regulations in the exit market, suggesting a rebound in the venture investment market that had been subdued thus far.[85]

NEW DISCLOSURE STANDARDS FOR ESG FUNDS

In response to evolving sustainability disclosure standards, the Financial Supervisory Service (FSS) of South Korea established specific disclosure standards for ESG funds in October 2023. These new regulations mandate that funds explicitly incorporating ESG into their names or investment strategies must now provide upfront disclosure of critical ESG-related information, including investment objectives, strategies, management capabilities, and associated risks. Additionally, these funds are required to report their management outcomes consistently, enhancing transparency and accountability.[86]

Despite these regulatory advancements, ESG funds have experienced a downturn in performance. As of March 2024, the year-to-date return of 54 domestic equities ESG funds was merely 0.76%, and the long-term three-year return was also negative at -6.29%. The total AUM of domestic equities ESG funds decreased by US$166 million over the past year.[87]

Government-led corporate programs aimed at enhancing shareholder returns, may benefit ESG funds. The growing trend of shareholder activism and policy-driven emphasis on stewardship code activities may encourage investment managers to adopt a more long-term outlook, fostering a healthier environment for ESG investments to thrive despite any short-term challenges.[88] In addition, the top four commercial banks in South Korea are expected to continue issuing ESG bonds aggressively this year to account for high demands from foreign investors as their lower interest rates can reduce capital costs.[89]

ENHANCED ASSET MANAGEMENT FRAMEWORK

In 2024, the FSS of South Korea plans to amend both the Financial Investment Services and Capital Markets Act and the Regulations on Financial Investment Business. These changes aim to refine the asset management framework, focusing on three pivotal areas: 1) addressing maturity mismatches in trusts and wrap accounts, 2) enhancing investor protection with disclosure requirements for trust-related products and expanding the scope of assets that can be managed, and 3) formalizing regulatory guidance and interpretations in asset management to clarify legal standards.[90]

The initiative begins by tackling the risks and investor protection concerns associated with maturity mismatches in trusts and wrap accounts. The amendments will require financial investment firms to obtain prior consent from clients for such mismatched investments and to develop comprehensive risk management standards.[91]

As trusts become increasingly vital for holistic wealth management amid demographic shifts and wealth accumulation, the amendments aim to strengthen investor protection. This effort includes introducing a regulatory framework for trusts that involve insurance claim rights.[92]

Additionally, the amendments seek to systematize the guidelines and interpretations traditionally managed through administrative guidance in the asset management sector, thus enhancing legal clarity. This includes explicitly allowing banks, securities companies, and insurance companies, currently restricted, to operate in land trust businesses. Land trusts involve real estate trust companies managing land on which housing, commercial, and logistics facilities are constructed and subsequently allocated, with profits distributed afterward. The amendments will also specify the obligation for diversified investments within managed individual savings accounts (ISAs), dictating that the inclusion rate of the same financial product should not exceed 30% in any model portfolio, and the inclusion rate for the same category of products should be within 50%. Moreover, the regulations will formally recognize exceptions for 'single private funds,' which, while formally involving a single investor, in reality, pool funds from multiple sources for independent management, thus qualifying as collective investments.[93]

Additionally, in a broader economic strategy to stimulate domestic consumption and corporate investment amid persistent high interest rates and mounting uncertainties, the government is planning significant regulatory relaxations. The Ministry of Economy and Finance has raised the criteria for imposing capital gains tax on major shareholders from the current threshold of over US$740,000 to over US$3.71 million.[94] Furthermore, the government has extended the temporary investment tax credit for corporate facility investments, which ended last year, for another year until the end of 2024 and has temporarily increased the tax credit rate for general research and development (R&D) investments by 10 percentage points for the first time.[95]

SOUTH KOREA

FUTURE OUTLOOK

The outlook for asset management in South Korea for 2024 points towards a continuation of trends influenced by both local and global economic conditions, as well as specific sector dynamics.

The global economic landscape, characterized by various challenges and opportunities, sets a complex backdrop for asset management in South Korea. Investments across different asset classes are subject to a wide range of risks, including market volatility, interest rate fluctuations, credit risk, and geopolitical uncertainties. As the industry continues to navigate through these challenges, the emphasis on sophisticated, informed investment strategies and risk management becomes increasingly important.

In South Korea, there is strong momentum for the future, driven by growing international interest and understanding of the domestic market, regulatory support for both international and domestic investors and strengthening fundamentals. The industry is expanding slowly but surely across multiple asset classes except, for the time being, ESG.

FLEISHMAN HILLARD

SURVEY FINDINGS

» TRUE Global Intelligence, the in-house research practice of FleishmanHillard, fielded an online survey among 1,250 investment/finance/banking professionals in five markets (mainland China, Hong Kong SAR, Singapore, South Korea and Japan) between March 30 and April 10, 2024.

» All respondents in the survey have traded or invested in at least one of the followings:

	TOTAL	MAINLAND CHINA (N=250)	HONG KONG SAR (N=250)	SINGAPORE (N=250)	SOUTH KOREA (N=250)	JAPAN (N=250)
EQUITIES FUNDS	63%	76%	64%	48%	66%	61%
FIXED INCOME	46%	66%	46%	56%	38%	22%
ETFS	39%	47%	34%	38%	44%	32%
ALTERNATIVES	21%	33%	30%	22%	14%	7%
BALANCED FUNDS	26%	28%	36%	30%	13%	22%
PE FUNDS	26%	44%	30%	32%	14%	12%
DIGITAL ASSETS OR CRYPTOS	32%	41%	29%	34%	42%	16%

FLEISHMAN HILLARD

SURVEY HIGHLIGHTS

ASIA

- In 2023, equities funds accounted for 63% of the most frequently traded and invested products in Asia, with fixed income products following closely at 46%. However, both categories saw a decline from their previous percentages of 67% and 56%, respectively.
- While ETFs (39%) and alternative investments (21%) maintained their popularity among investors in the region, there is a reluctance among Asian investors to venture into digital assets and cryptocurrencies.
- It is worth noting that Asian investors continue to show interest in PE funds, with 26% of investors allocating capital to this sector in the past year.
- Looking into 2024, investors in the region continue to show a strong interest in equities funds (51%) and fixed income products (34%), with ETFs also gaining traction at 31%.
- There is also a noticeable surge in interest among Asian investors in alternative investment categories such as PE funds (15%) and private credit funds (15%), which offer investors the opportunity to diversify their portfolios and potentially achieve higher returns compared to traditional fixed income products.
- Performance (93%) and credibility (92%) continue to stand out as the paramount considerations for investors in selecting an asset manager. However, an increasing number of investors are now factoring in the size of the asset management firm (89%) as a significant criterion, especially in periods of economic uncertainty.
- While the service fee (86%) is undoubtedly a factor in investors' decision-making process, their choice can be swayed by the public profile of the asset management firm (86%).
- The most significant financial risk anticipated across all five Asian markets is slow global economic growth or economic downturn (42%), followed by concerns about persistent inflation (24%) and geopolitical tensions (16%).
- AI funds (34%) emerge as the most intriguing investment theme across the region in the upcoming year, with a notable focus in mainland China, where 55% of respondents express interest in AI funds.
- Precious metals also capture considerable interest across Asia, with 23% of respondents expressing interest. Conversely, cryptocurrency-related products are experiencing a waning popularity among Asian investors, with a decrease of seven percentage points to 24%.
- There is also a noticeable shift towards alternative investments, with growing interest in active ETFs (23%), real estate funds (21%), real assets (21%), and REITs (19%) among Asian investors.
- Looking ahead, AI (49%), internet and technology (IT) (34%) sectors appear to be most well-received for investing in next 12 months. Biotechnology and healthcare (33%) and technology, media and telecoms (TMT) (33%) are ranked the third most interested sectors.
- Asia-Pacific (54%) and North America (43%) remain the top two regions Asian investors are most interested in for next year.
- It is noteworthy that financial media remains the key source for Asian investors about funds and investment products. Conversely, we see a shift of using social media as information sources (38% in 2024 vs 43% in 2023) while websites of asset managers (40%) surpass social media as information sources.
- More than half of the investors (63%) surveyed don't find ChatGPT or AI tools particularly useful.
- Investors in the region continue to expect overseas asset managers to perform sophisticatedly in risk management (86%) and deliver high transparency when communicating with their customers (84%).
- Investors in the region continue to see asset managers to "walk the talk when proxy voting at listed companies" (82%) shareholder meetings, the most important ESG commitment they need to make to have an impact.

HONG KONG SAR

- Hong Kong investors primarily trade/invest in equities funds (64%) and fixed income (46%) and are most interested in investing in the same funds for the next 12 months (45%, 30% respectively).
- Asset management company performance (92%) and credibility (91%) are most important in selecting an asset manager.
- In 2024, 36% of investors are moving more of their investments into lower risk options (+15 pts YoY), while over one-quarter (29%) have increased their risk appetite for high-yield investments.
  - Over one-third (39%) consider slow global economic growth/economic downturn as their biggest financial risk.
- There is highest interest in AI funds (31%) and cryptocurrency products (27%) for future investments.
- AI (44%) and technology, media and telecoms (35%) are sectors of highest interest to invest in.
- Hong Kong investors remain most interested in the Asia-Pacific region (52% -13 pts YoY), specifically in Hong Kong (73%) and China (41%).
- Financial media (44%) and social media (40%) are used most for information on funds/investment products.
  - Specific to social media, YouTube and Facebook are most popular with 62%, respectively.
- Most investors are using online sources (47%) and independent financial advisers (43%).
- Over half (55%) of investors have used digital platforms to purchase mutual funds.
- Only 1 in 4 (27%) of investors have used AI tools/ChatGPT and found it easy to use (82%).
- Sophistication in risk management (92%) and transparent fee disclosures (90%) are most important for overseas asset managers.

MAINLAND CHINA

- Mainland Chinese investors primarily trade/invest in equities funds (76%) and fixed income (66%), and are most interested in investing in the same funds for the next 12 months (63%, 48% respectively).
- Asset management company performance (94%) and credibility (92%) are most important in selecting an asset manager.
- Over 3 in 5 (64%) mainland Chinese investors have invested in funds run by overseas managers (-9 pt decrease YoY), due to having a better track record (55%), better performance (54%) and unique investment strategies (54%) compared to local.
- In 2024, 36% of mainland Chinese investors are seeing more opportunities and have increased their risk appetite for some high-yield instruments, while roughly 1 in 4 (28%) are moving into lower-risk options.
  - Over one-third (39%) consider slow global economic growth/economic downturn as their biggest financial risk.
- There is highest interest in AI funds (55%) and precious metals (37%) for future investments.
- AI (63%) and internet and technology (52%) are sectors of highest interest to invest in, each increasing by 10 percentage points from last year.
- Like last year, mainland Chinese investors are most interested in the APAC region (64%), specifically in China A-shares (70%) Hong Kong (45%) and Singapore (45%).
- Social media (52%) and house fund websites (48%) are used most for information on funds/investment products.
  - Specific to social media, Weibo and WeChat are most popular with 67%, respectively.
- More investors are using online banking/fund platforms (63% +12 pts YoY) and wealth managers (62% +16 pts YoY) to fund their patronage.
- 82% (+5 pts YoY) have used digital platforms to purchase mutual funds, citing variety (90%), ease of use (88%) and instant analysis/advice on asset allocation/risk management (87%) as motivators for use.
- Over half of investors (61% +6 pts YoY) have used AI tools/ChatGPT and found them easy to use (90%).
- Strong local presence/team expertise (88%) and sophistication in risk management (86%) continue to be important for overseas asset managers.

FLEISHMAN HILLARD

JAPAN

» Japanese investors primarily trade/invest in equities funds (61%) and ETFs (32%) and are most interested in investing in the same funds for the next 12 months (56%, 24% respectively).

» Asset management company credibility (92%) and performance (91%) are most important in selecting an asset manager.

» Nearly half (46%) are retaining the same risk threshold, while one-fifth (20%) have increased risk appetites for high-yield instruments.

- 50%, the highest of any surveyed APAC country, consider slow global economic growth/economic downturn as the biggest risk to their financial portfolio.

» AI funds (21%), precious metals (17%), active ETFs (17%) and real estate funds (17%) are of highest interest for future investments.

» AI (37%) and biotechnology and healthcare (30%) are sectors of highest interest to invest in.

» Japanese investors are most interested in the North American region (58%) to invest in the next 12 months.

» Fund house websites (41%) and financial media (31%) are used most for information on funds/investment products.

» Most investors are using online sources (60%), independent financial advisers (25%) and robo-advisers (18%) to fund their patronage.

» Over one-third (38%) of investors use digital platforms to purchase mutual funds.

» One-fifth (18%) of investors have used AI tools/ChatGPT and found it easy to use (59%).

» Sophistication in risk management (82%) and transparent fee disclosures (77%) are most important for overseas asset managers.

SINGAPORE

» Singaporean investors primarily trade/invest in fixed income (56%) and equities funds (48%), and are most interested in investing in the same funds for the next 12 months (42, 45% respectively)

- Over 1 in 3 invest in ETFs (36%).

» Asset management company credibility (93%) and performance (92%) are most important in selecting an asset manager.

» 27% of investors are moving more of their investments into lower risk options (+8 pts YoY).

- 2 in 5 (41%) consider slow global economic growth/ economic downturn as the biggest financial risk for their portfolio.

» Interest is highest in ETFs (29%) and cryptocurrency-related products (28%) for future investments.

» Banking and finance (44%), AI (43%) and internet and technology (38%) are sectors of highest interest to invest in.

» Almost one in seven Singapore investors are most interested in the Asia-Pacific region (69%), specifically in Singapore (75%), mainland China (32%) and Japan (32%).

» Financial media (44%) and social media (44%) are used most for information on funds/investment products.

- For social media, YouTube (51%) and Facebook (40%) are most used.

» Most investors are using independent financial advisers (55% +10 pts YoY) and online platforms (46% -5 pts YoY) for fund patronage.

» Digital platforms are used by nearly 3 in 4 investors (72%) to purchase mutual funds.

» Almost half (46%) of investors have used AI tools/ ChatGPT and found it easy to use (82%).

» Transparent fee disclosures (92%) and sophistication in risk management (92%) are most important for overseas asset managers.

SOUTH KOREA

- South Korean investors primarily trade/invest in equities funds (66%) and ETFs (44%) and are most interested in investing in the same funds for the next 12 months (47%, 35% respectively).
- Asset management company performance (93%) and size (92%) are most important in selecting an asset manager.
- In 2024, around one-third (36%) are moving investments into lower risk options, while one-fifth (21%) have increased risk appetites for high-yield instruments.
  - 40% consider slow global economic growth/economic downturn as the biggest risk to their financial portfolio.
- There is highest interest in AI funds (36%), cryptocurrency-related products (30%) and real assets (30%) for future investments.
- AI (58%) and biotechnology and healthcare (31%) are sectors of highest interest to invest in.
- Around half (48%) of South Korean investors are most interested in the North American region to invest in the next 12 months.
- Financial media (61%) and fund house websites (31%) are used most for information on funds/investment products.
- Most investors are using online sources (54%), wealth managers (35% +2 pts YoY) and independent financial advisers (32%) for fund patronage.
- Over one-third (34%) of investors have used digital platforms to purchase mutual funds.
- Around one-third (32%) of investors have used AI tools/ ChatGPT and found it easy to use (81%).
- Transparency in fee disclosures (87%) and customer communications (86%) are most important for overseas asset managers.

SURVEY FINDINGS AND RESULTS

SURVEY FINDINGS

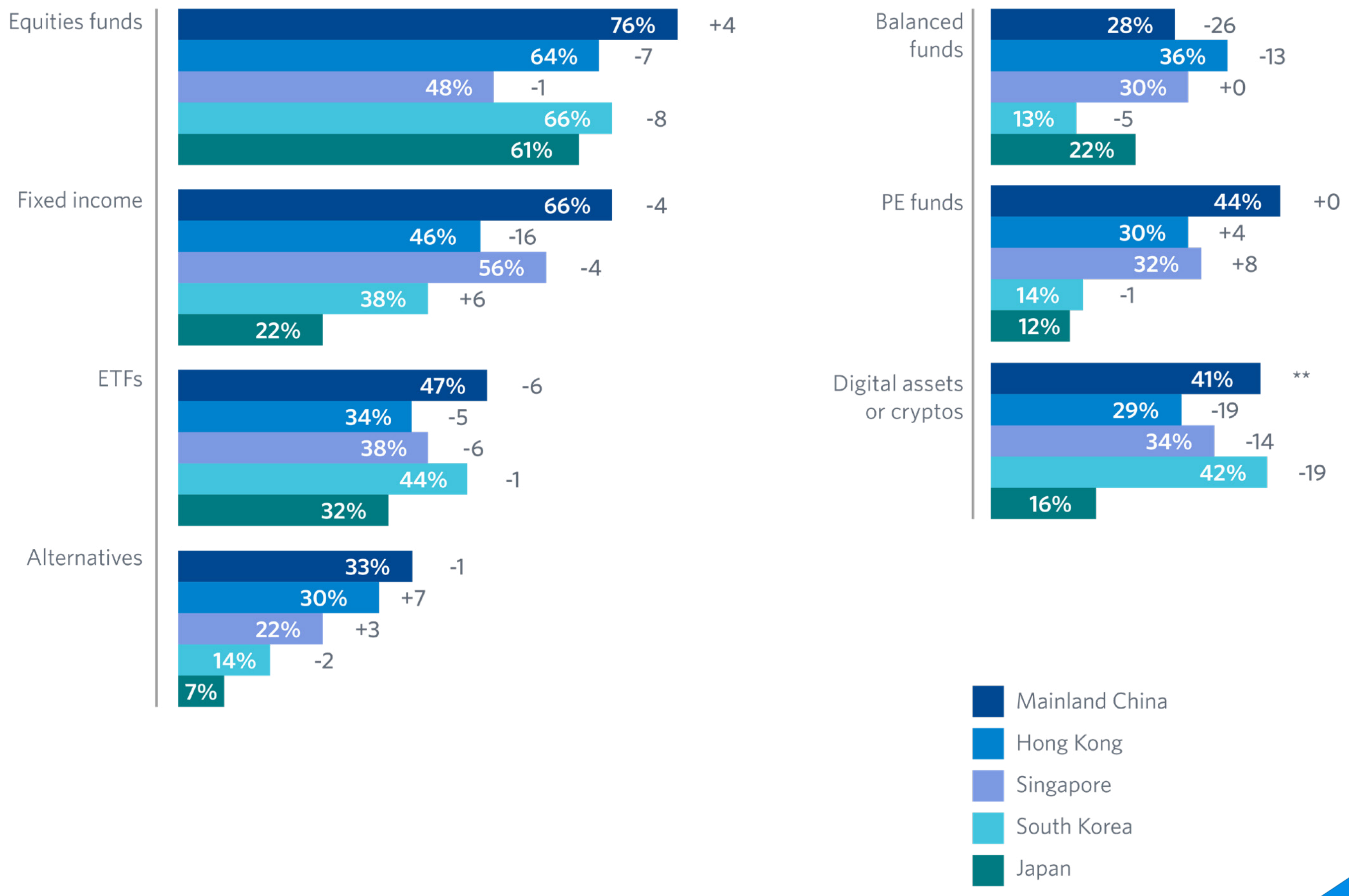
OVERVIEW OF LAST YEAR

In 2023, equities funds accounted for 63% of the most frequently traded and invested products in Asia, with fixed income products following closely at 46%. However, both categories saw a decline from their previous percentages of 67% and 56% respectively. This trend suggests that investors in the region are exploring diversification into other asset classes or financial products to mitigate risks and seek better returns.

While ETFs (39%) and alternative investments (21%) maintained their popularity among investors in the region, there is a reluctance among Asian investors to venture into digital assets and cryptocurrencies. Allocations to these assets have decreased by seven percentage points to 32%.

It is worth noting that Asian investors continue to show interest in PE funds, with 26% of investors allocating capital to this sector in the past year. This trend can be attributed to global macroeconomic uncertainties, prompting institutional investors turning to PE funds for their long-term investment horizons to navigate short-term market fluctuations.

Types of Financial Products Traded or Invested In 2023



+/- Change from 2023
Japan: New for 2024

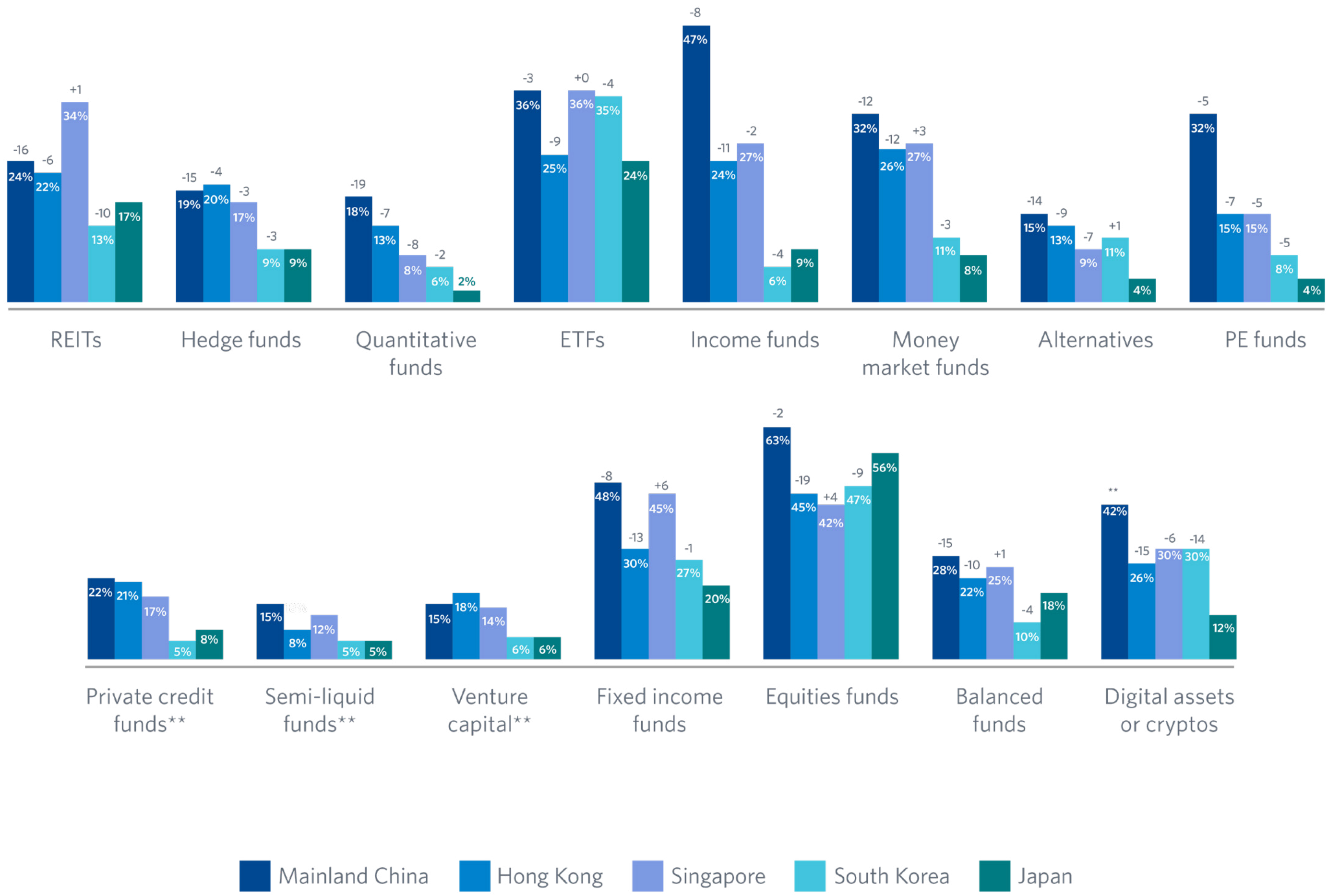
SURVEY FINDINGS

FUTURE INVESTMENT TRENDS

Looking into 2024, investors in the region continue to show a strong interest in equities funds (51%) and fixed income products (34%), with ETFs also gaining traction at 31%. It is worth noting that mainland Chinese investors, despite a slight decline, exhibit the highest level of interest among all regions in investing in income funds. This is evidenced by the fact that 47% of respondents in mainland China express their intention to invest in income funds in the next 12 months, 25 percentage points higher than the Asian investors' average (22%).

There is also a noticeable interest among Asian investors in alternative investment categories such as PE funds (15%) and private credit funds (15%), which offer investors the opportunity to diversify their portfolios and potentially achieve higher returns compared to traditional fixed income products. Venture capital has also attracted 12% of Asian investors who may be seeking opportunities in innovative and high-growth potential startups, aligning with the technological advancements in the region.

Investment Products of Interest in the Next 12 Months



+/- Change from 2023
** New for 2024
Japan: New for 2024

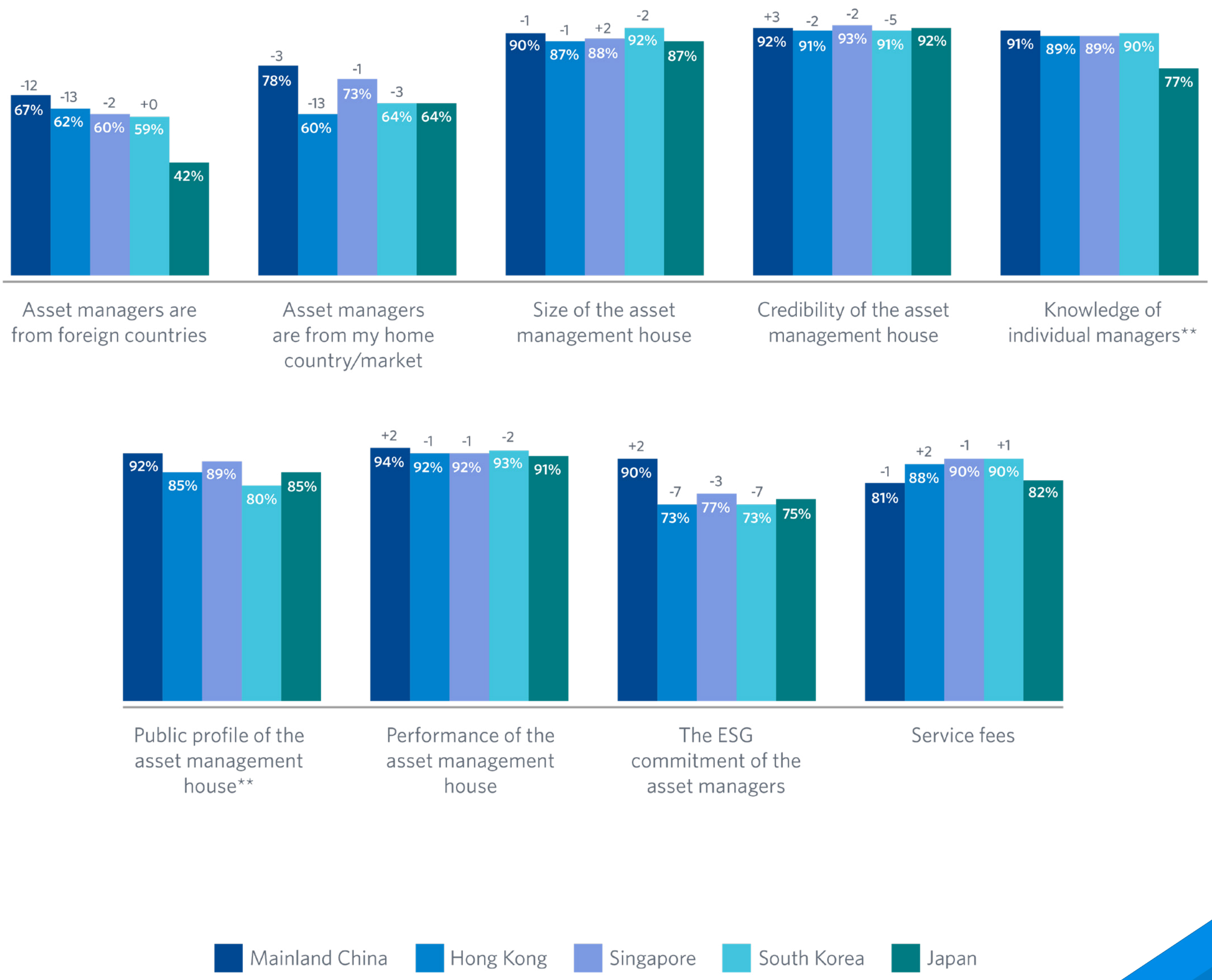
SURVEY FINDINGS

FACTORS TO CHOOSING AN ASSET MANAGER

Performance (93%) and credibility (92%) continue to stand out as the paramount considerations for investors in selecting an asset manager. However, an increasing number of investors are now factoring in the size of the asset management firm (89%) as a significant criterion, especially in periods of economic uncertainty. This investor sentiment can be traced back to historical instances where smaller asset management firms encountered difficulties and were at risk of collapse during economic downturns. Consequently, investors are increasingly inclined towards favoring larger, well-established firms for their proven stability and resilience in navigating volatile market environments.

While the service fee (86%) is undoubtedly a factor in investors' decision-making process, their choice can be swayed by the public profile of the asset management firm (86%). A positive public image can influence investor perceptions and trust in the firm's reputation and integrity. This highlights the significance of maintaining a strong public presence and reputation in attracting and retaining investors in a competitive market landscape.

Importance of Factors When Choosing an Asset Manager



+/- Change from 2023
** New for 2024
Japan: New for 2024

SURVEY FINDINGS

FOCUS ON MAINLAND CHINA

Delving into the preference of mainland Chinese investors, 64% of the respondents opting for local fund products managed by overseas asset managers, down from 73% in the previous year. Among these investors, 51% show a preference for funds managed by sino-foreign asset management joint ventures. Notably, there has been an 11 percentage points increase to 49% in investors opting for funds managed by sino-foreign wealth management joint ventures, which could be driven by the growing preference for comprehensive and tailored wealth management solutions focusing on growth, preservation, protection, and transfer of private wealth.

On the other hand, investment in QDLP products by mainland Chinese investors has decreased by 19 percentage points to 44%, possibly due to regulatory adjustments and shifts in market conditions. However, there is a growing trend in investing in onshore retail funds managed by overseas asset managers, with an increase of eight percentage points to reach 28%.

When it comes to reasons for selecting overseas asset managers, investors prioritize factors such as their better track record (55%), better performance (54%), and unique investment strategies that they cannot find in local asset managers (54%).

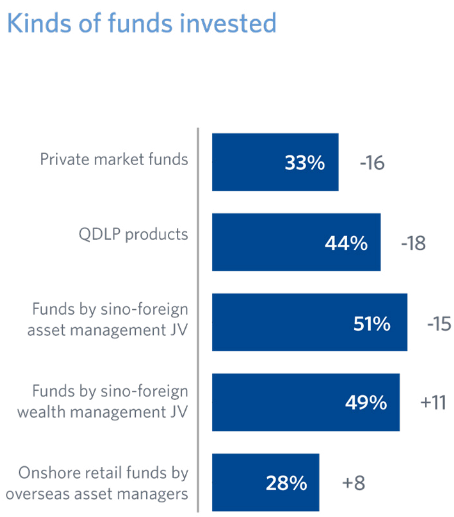
ESG credentials are valued by 38% of responding investors in mainland China, aligning with the importance placed on recommendations from friends and family (39%) and independent financial advisers or intermediaries (38%). This underscores the significance of both ESG considerations and personal referrals for mainland Chinese investors, emphasizing the importance for overseas asset managers to establish robust business networks and foster positive word-of-mouth recommendations.

Overseas Asset Managers

64%

(-9%)

Of mainland Chinese investors have invested in local fund products run by overseas asset managers



+/- Change from 2023
** New for 2024

SURVEY FINDINGS

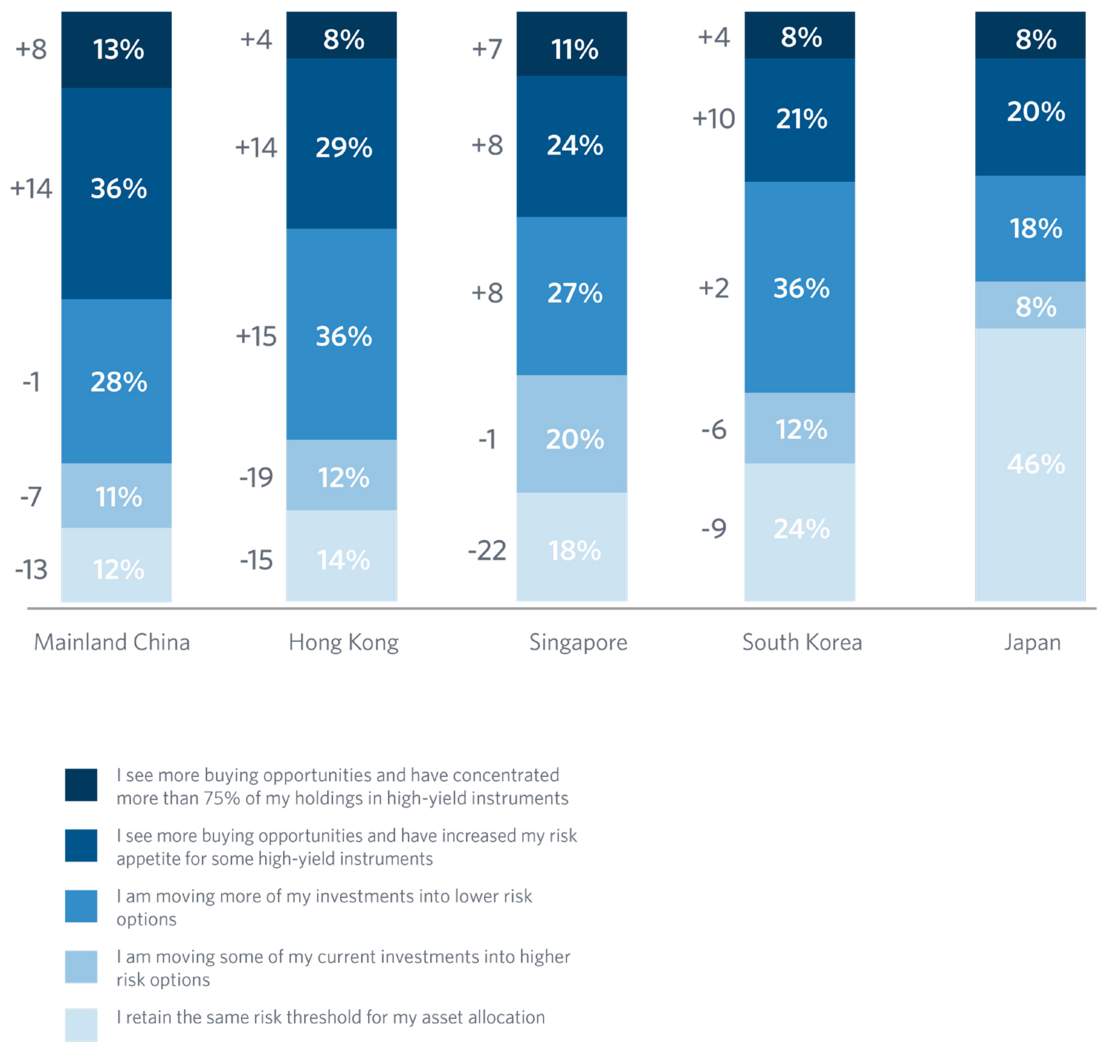
RISK APPETITE

While 46% of Japanese investors prefer to maintain their current risk level and avoid shifting to higher-risk options, mainland Chinese investors have taken a less risk-averse approach. Among them, a total of 49% see increased buying opportunities, with 13% concentrating 75% of their holdings in high-yield instruments and 36% showing a heightened risk appetite for high-yield instruments. This change in behavior may be driven by a pursuit of higher returns following relatively modest performance in recent years.

In contrast, investors in South Korea, Hong Kong, and Singapore are leaning towards lower-risk options. In Hong Kong, the majority are reallocating investments to lower-risk options (36%), while fewer are favoring higher-risk options (12%). A similar trend is observed in South Korea.

Although Singaporean investors also exhibit risk-averse behavior, with 27% shifting towards lower-risk options, 24% and 20% of respondents are showing an increased risk appetite for high-yield instruments and a move towards higher-risk options. These varying perspectives among investors in the region may be influenced by the different economic outlooks in their respective markets.

2024 Investment Outlook



+/- Change from 2023
Japan: New for 2024

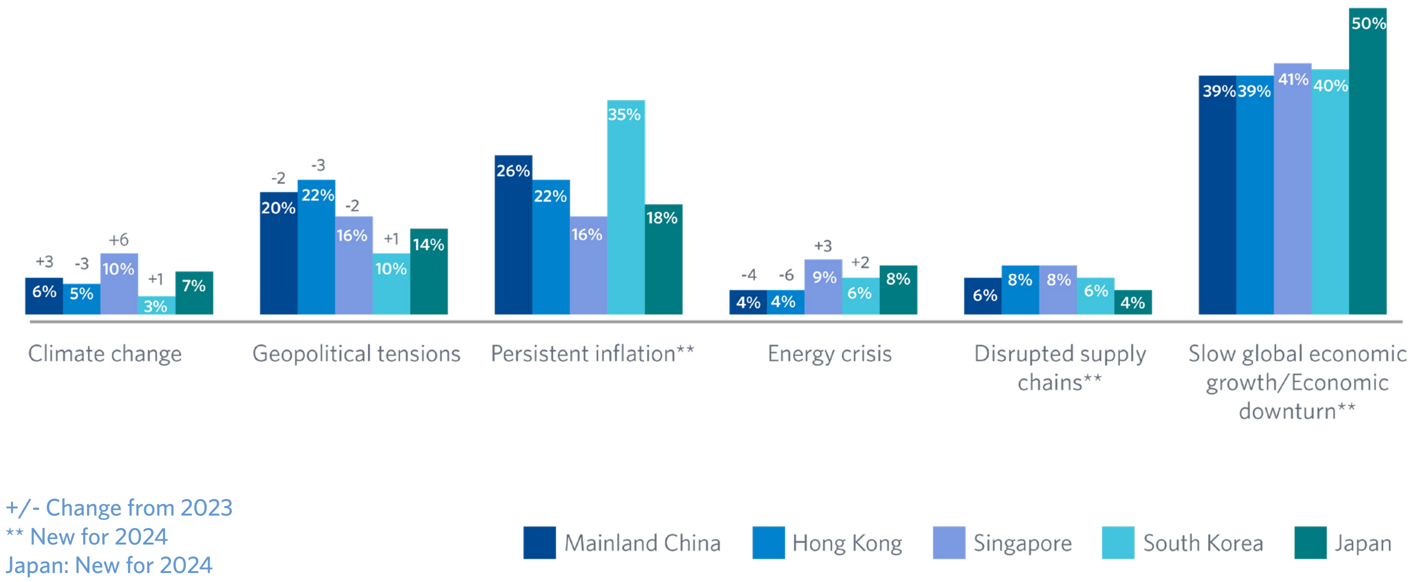
SURVEY FINDINGS

UPCOMING RISKS

The most significant financial risk anticipated across all five Asian markets is slow global economic growth or economic downturn (42%), followed by concerns about persistent inflation (24%) and geopolitical tensions (16%).

Notably, persistent inflation (35%) is particularly concerning for South Korean investors, ranking at a level similar to that of slow global economic growth or economic downturn (40%). This suggests that the inflation rate in South Korea may be of significant concern, posing potential challenges for investors and impacting their investment strategies.

Biggest financial risk



SURVEY FINDINGS

UPCOMING INVESTMENT THEMES

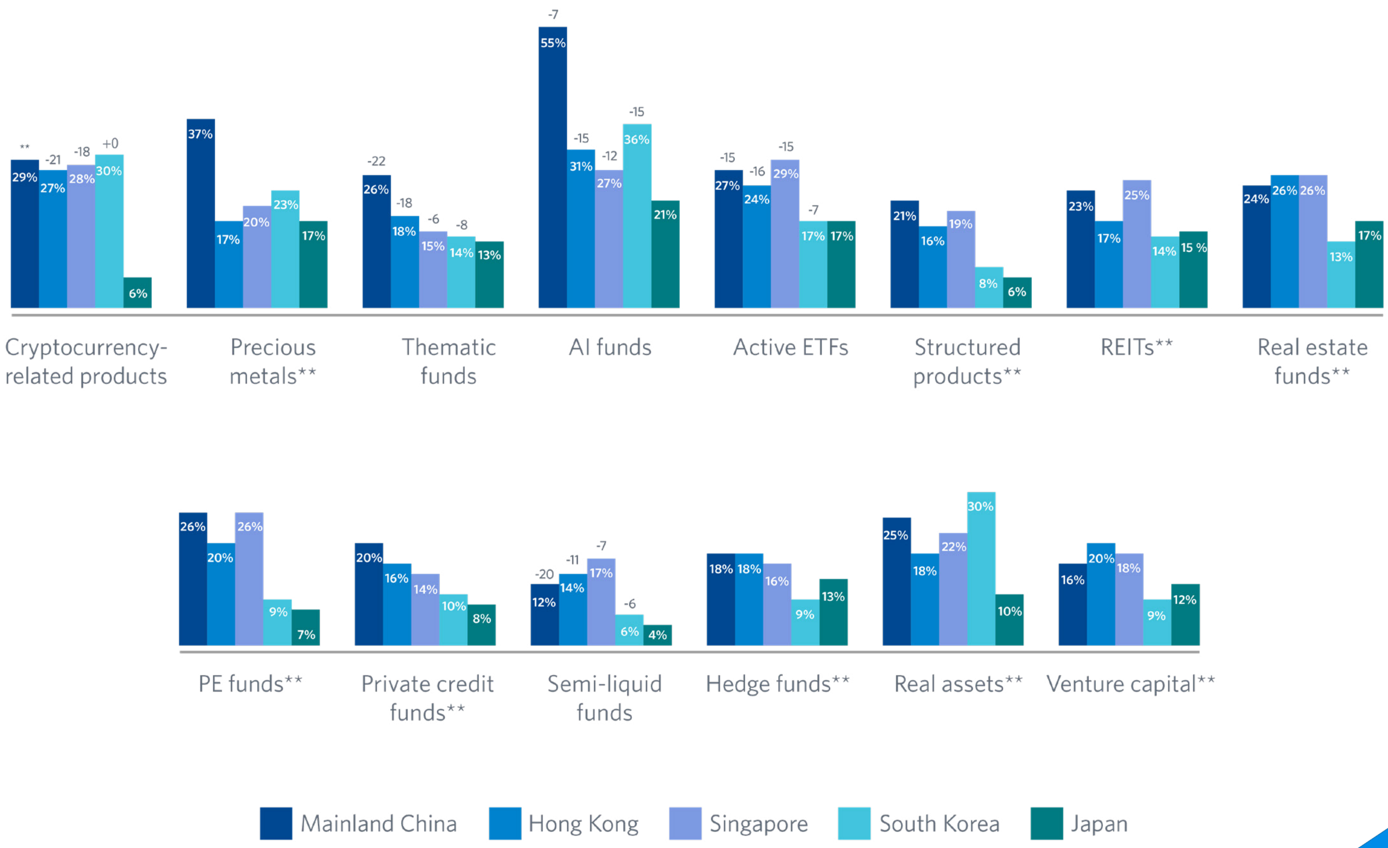
AI funds (34%) emerge as the most intriguing investment theme across the region in the upcoming year, with a notable focus in mainland China, where 55% of respondents express interest in AI funds. This heightened interest in AI funds reflects the growing recognition of AI's potential, which serves as a beacon in investment strategies, offering new opportunities for growth in a rapidly evolving market landscape.

Precious metals also capture considerable interest across Asia, with 23% of respondents expressing interest. The appeal of precious metals may stem from their perceived value as a safe-haven asset during periods of economic uncertainty or inflationary pressures, providing a reliable hedge against market volatility and currency devaluation.

Conversely, cryptocurrency-related products are experiencing a waning popularity among Asian investors, with a decrease of seven percentage points to 24%. This downward trend could be linked to heightened regulatory oversight or concerns regarding the inherent risks associated with digital assets.

There is also a noticeable shift towards alternative investments, with growing interest in active ETFs (23%), real estate funds (21%), real assets (21%), and REITs (19%) among Asian investors. In addition, investors in mainland China, Hong Kong, and Singapore exhibit interest in PE funds, accounting for 26%, 20%, and 26% respectively. However, the appeal of PE funds is less pronounced among South Korean and Japanese investors, at 9% and 7% respectively. This disparity in interest may be influenced by varying risk appetites within these markets.

Investment-Themed Products Interest in the Next 12 Months

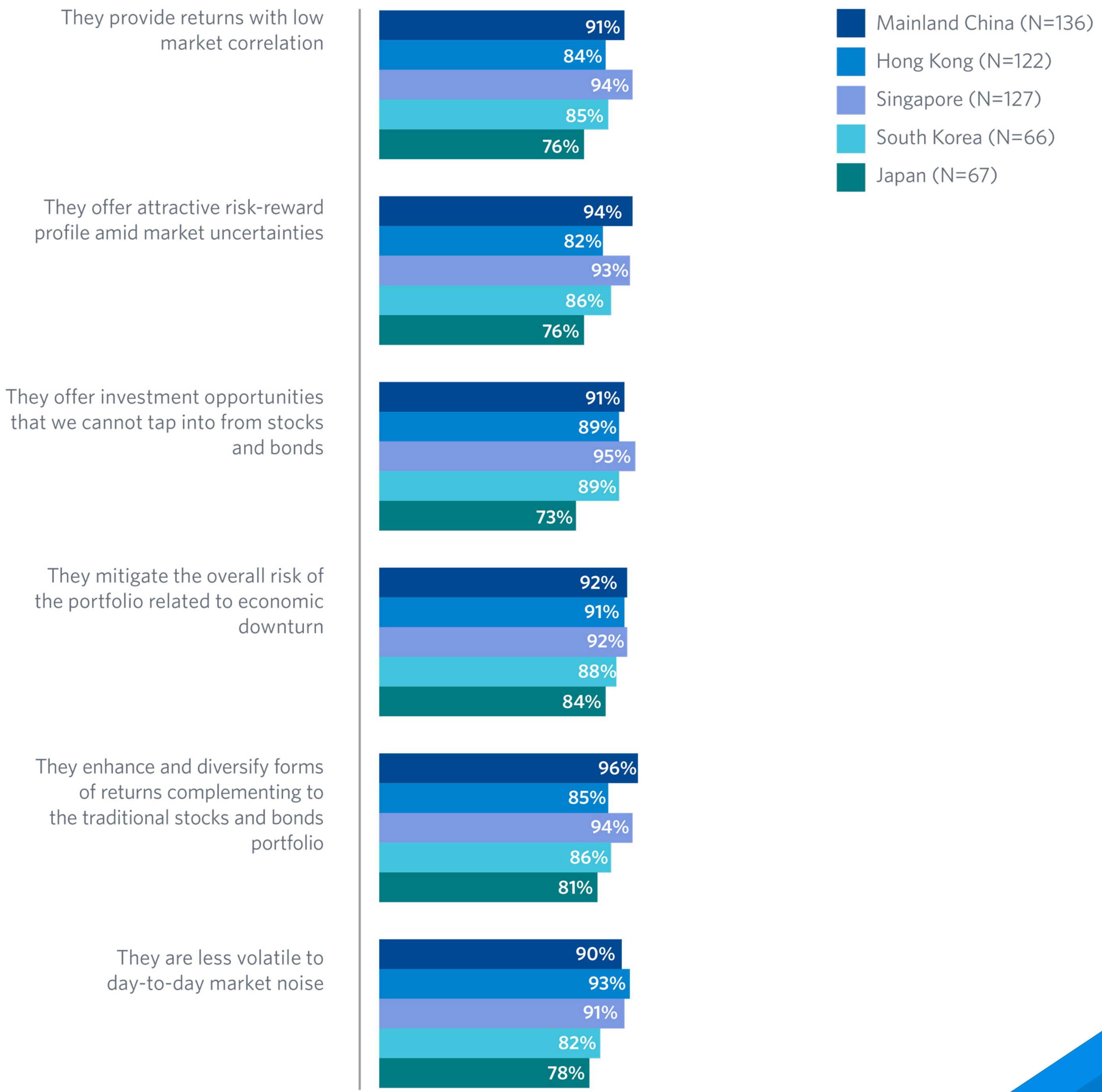


+/- Change from 2023
** New for 2024
Japan: New for 2024

SURVEY FINDINGS

Among the surveyed investors who have invested in private markets products, 41.4% shared their motivations. Ninety percent believe that these investments can either mitigate overall portfolio risk related to economic downturn, or enhance and diversify forms of returns, complementing traditional stock and bond portfolios, while 89% appreciate the unique investment opportunities not accessible through stocks and bonds.

Rationale for Investing in Private Markets

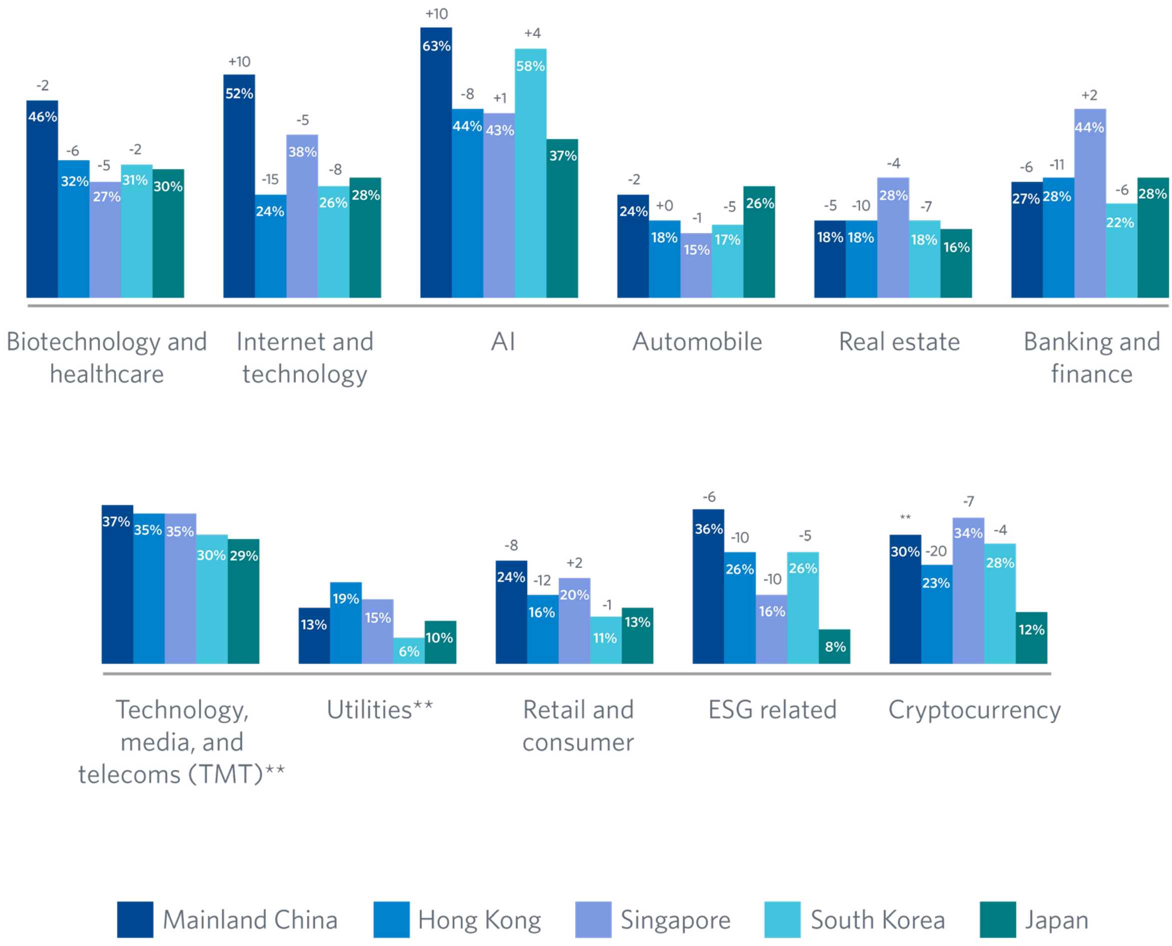


SURVEY FINDINGS

AI AND IT SECTORS DRAW INTEREST FOR THE YEAR AHEAD

Looking ahead, AI (49%) and the internet and technology (IT) (34%) are the most favored sectors for investment in the next 12 months. Biotechnology and healthcare (33%) along with technology, media and telecoms (TMT) (33%) are ranked as the third most attractive sectors. Specifically focusing on mainland Chinese investors, 63% of respondents express interest in investing in AI, showing an increase from 53% the previous year. Similarly, 58% of South Korean respondents plan to invest in AI in the upcoming year, up from 54% in the previous year. The IT sector follows closely as a promising investment opportunity, with 52% of mainland Chinese investors indicating their interest, up from 42% the previous year. Interestingly, 44% of Singaporean investors intend to invest in the banking and finance sector, reflecting a slight increase of 2% compared to the previous year.

Sectors to Invest in the Next 12 Months



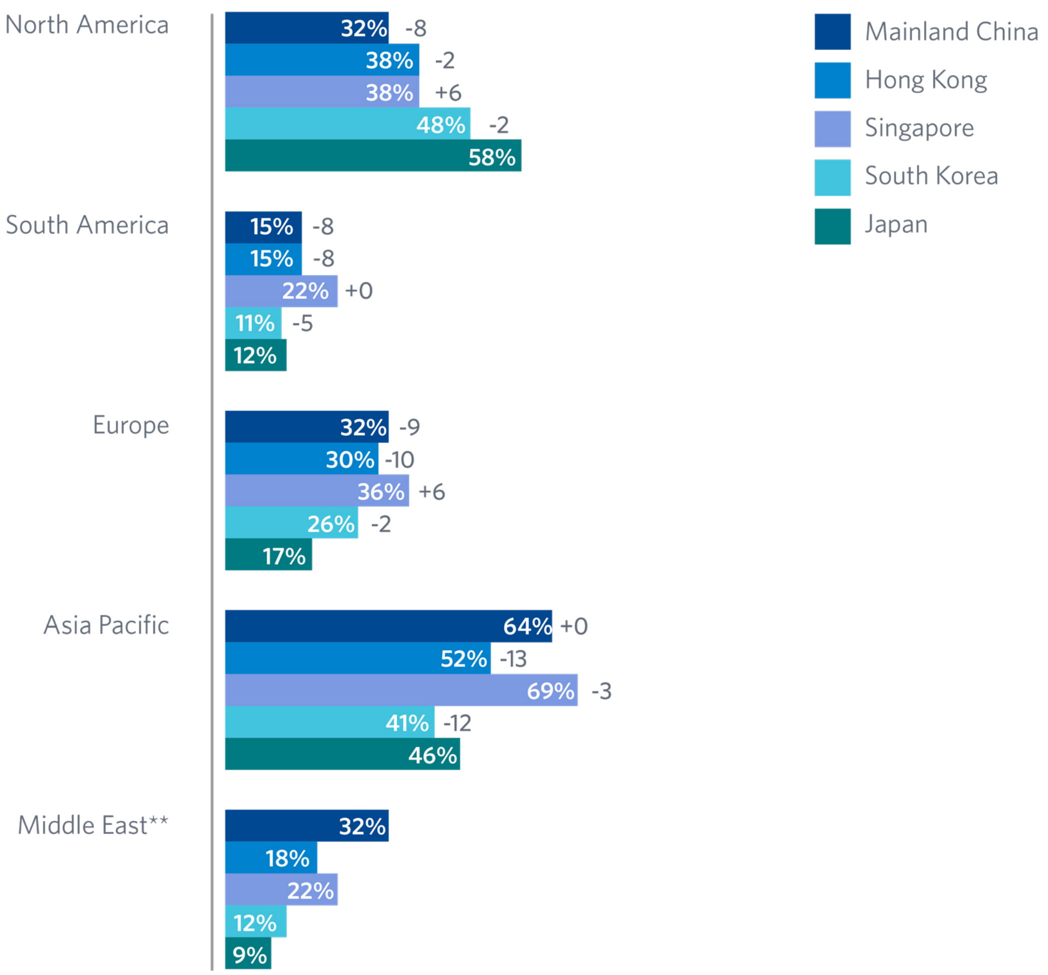
+/- Change from 2023
** New for 2024
Japan: New for 2024

FLEISHMAN HILLARD

SURVEY FINDINGS

In the upcoming year, Asia Pacific (54%) and North America (43%) continue to be the top two regions of interest for Asian investors. Japanese investors (58%) show the highest interest in North America compared to other Asian investors. While Asia Pacific remains the most popular region for investment, there has been a decline in interest from Hong Kong investors (52%) and South Korean investors (41%), dropping from 65% and 53% respectively. Notably, 32% of mainland Chinese investors have expressed interest in investing in the Middle East market.

Regions of Investment Interest in the Next 12 Months

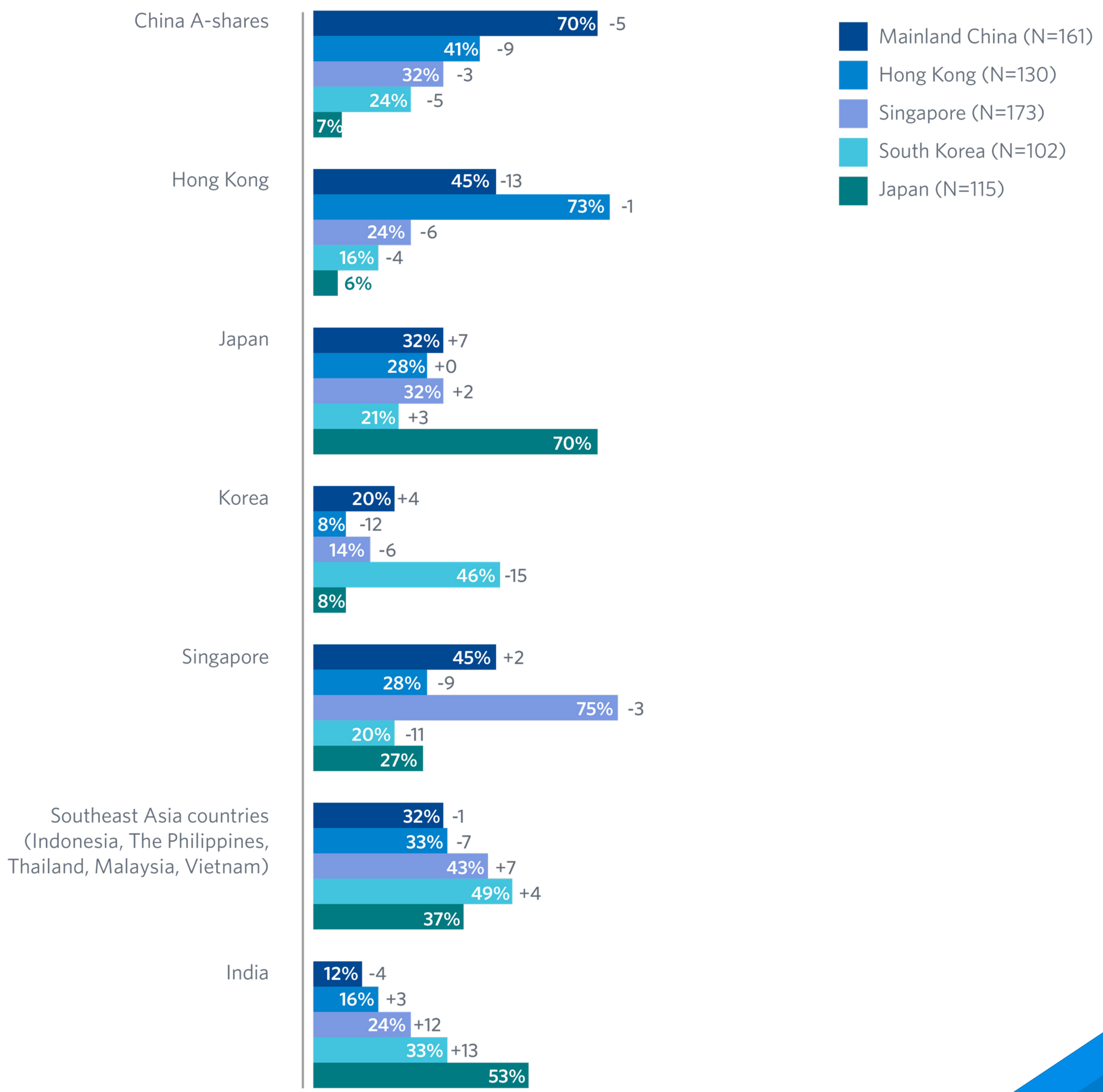


+/- Change from 2023
** New for 2024
Japan: New for 2024

SURVEY FINDINGS

Taking a closer look at the Asia-Pacific region for future investments, investors locally from mainland China (70%), Hong Kong (73%), Japan (70%) and Singapore (75%) continue to be most interested in their own local markets. However, a decreased interest is observed among South Korean investors investing in local market, dropping from 61% to 46% this year. Interestingly, 53% of Japanese investors are interested in Indian market for future investments.

APAC Markets of Investment Interest in the Next 12 Months



+/- Change from 2023
Japan: New for 2024

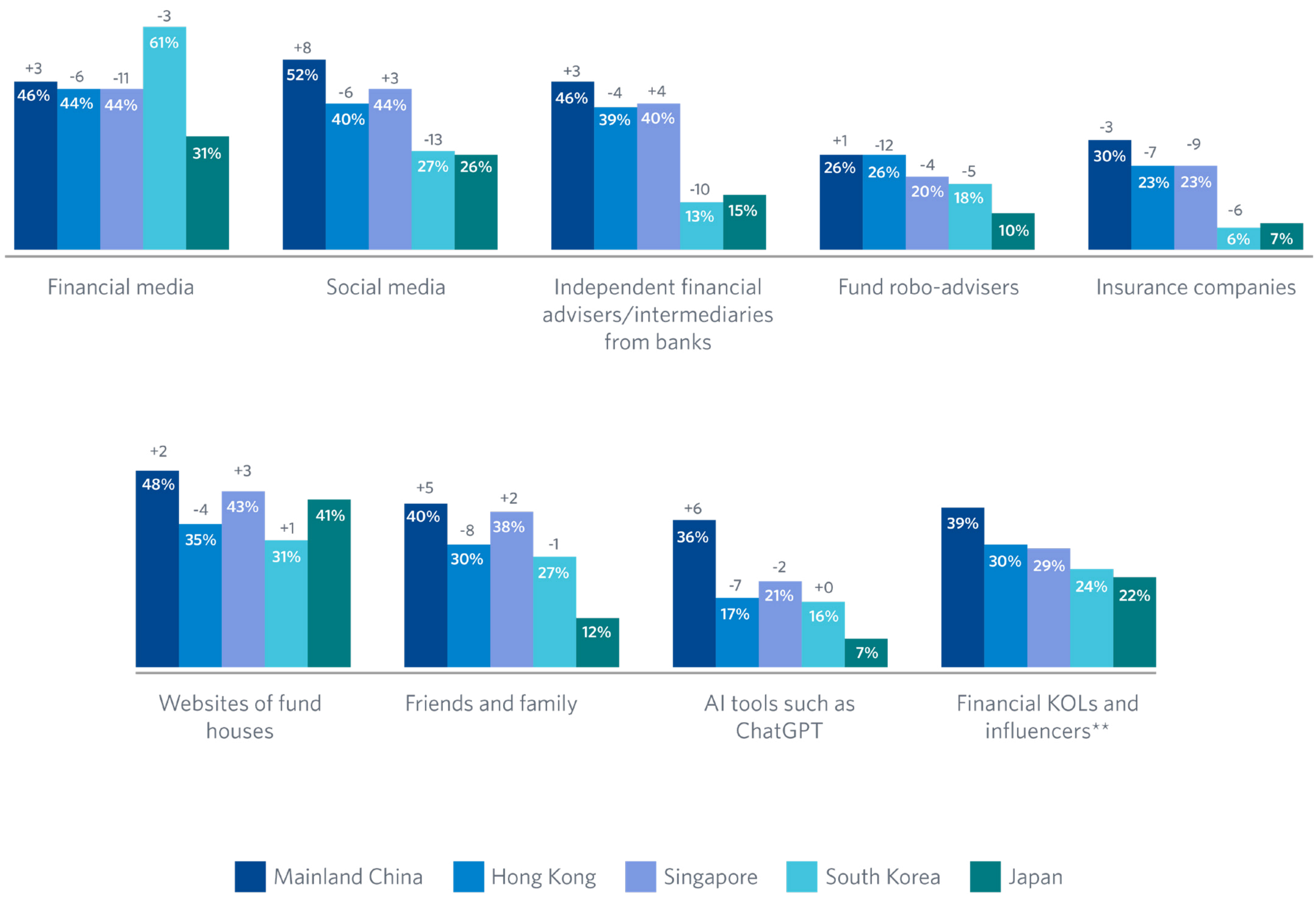
SURVEY FINDINGS

INFORMATION SOURCES

It is noteworthy that financial media remain the key source for Asian investors about funds and investment products. Conversely, we see a shift of using social media as information sources (38% in 2024 vs 43% in 2023) while websites of asset managers (40%) surpass social media as information sources. The finding underscores the importances of maintaining an user-friendly and rich content website for investors who are doing due diligence for their investments.

Financial KOLs and influencers (29%) emerge as one of the popular sources of information about funds and investment products which have outpaced the use of AI tool. The opinions expressed from financial KOLs and influencers (29%) are now as equally important as from friends and family (29%), catching up the advice from the independent financial advisers and intermediaries from banks (30%).

Channels for Receiving Information on Funds and Investment Products

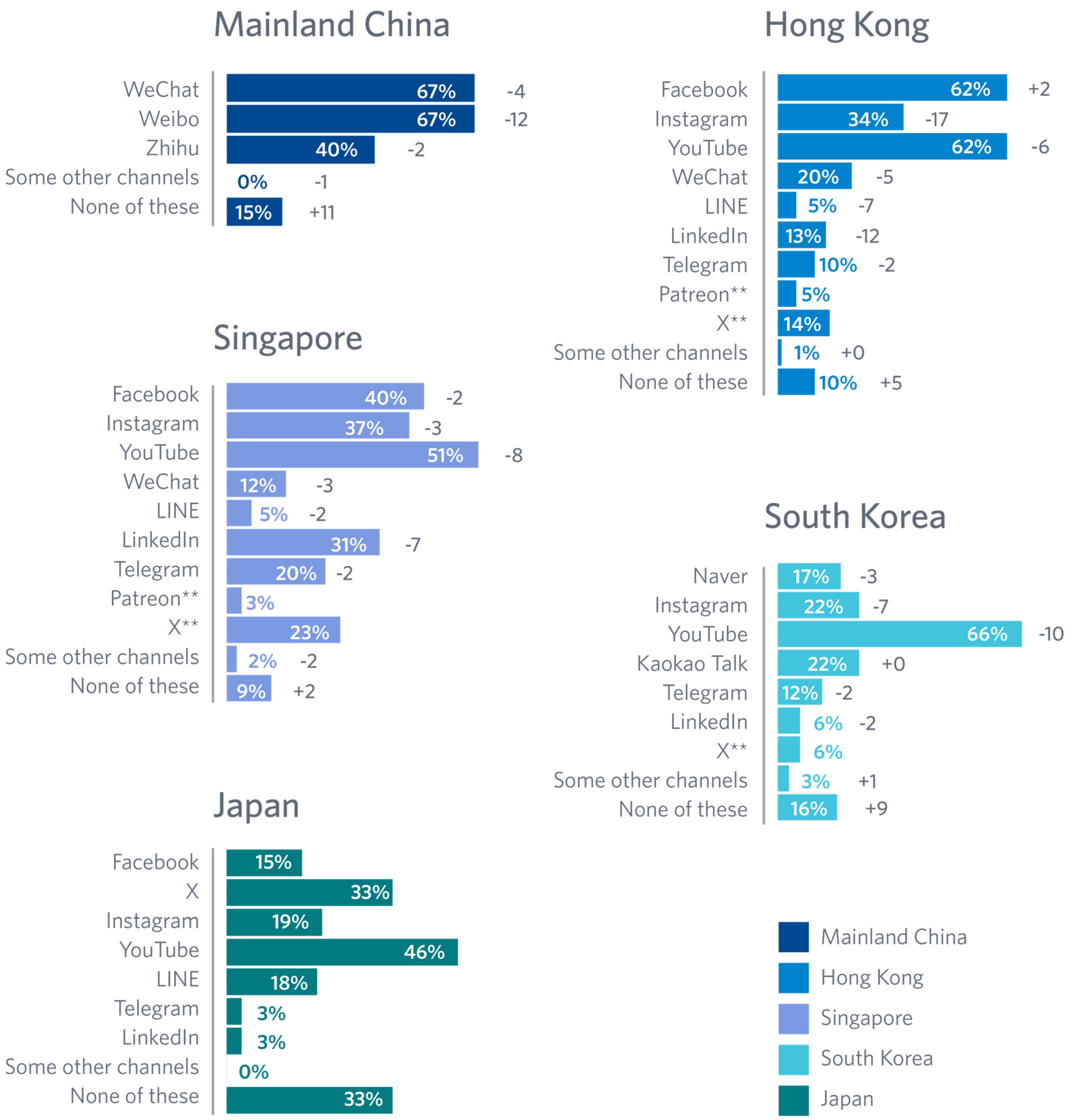


+/- Change from 2023
** New for 2024
Japan: New for 2024

SURVEY FINDINGS

YouTube is the top social media platform for investors outside of mainland China. However, it is observed that a decreasing number of respondents chooses YouTube as top social media platform. Such trend underscores that asset managers should not focus on one single platform to promote the firm and product offerings. WeChat and Weibo remain dominant sources in mainland China.

Social Media Platforms Accessed for Fund Information

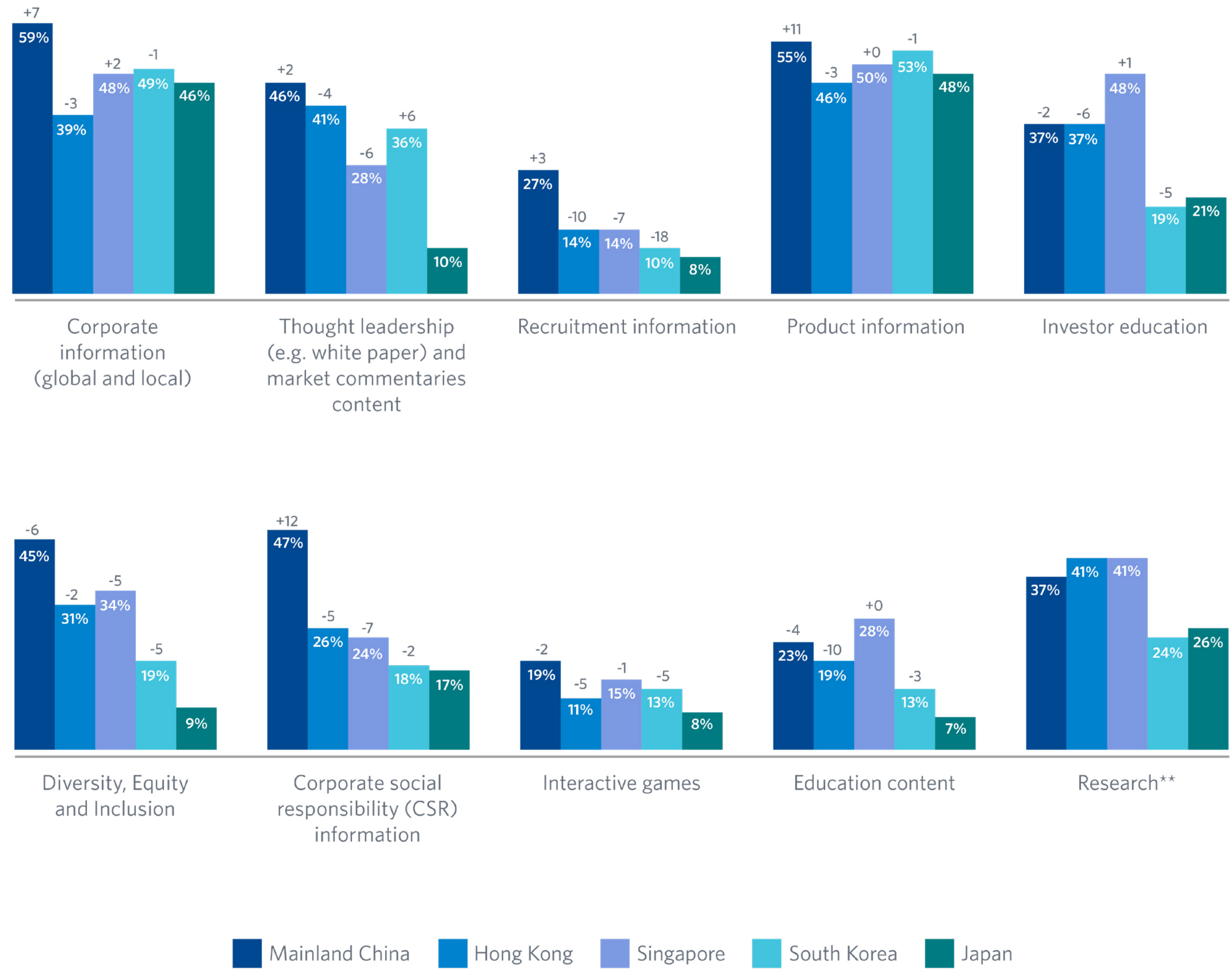


+/- Change from 2023
** New for 2024
Japan: New for 2024

SURVEY FINDINGS

Product information (51%) and corporate information (48%) are most sought after on the social media channels of asset managers. Research (34%) from asset managers rises as one of the most sought-after information. Asset managers can learn from the trend to enrich research content across various platforms. Meanwhile, an increasing number of investors in mainland China look for corporate social responsibility (CSR) information.

Type of Information Sought from Asset Manager Social Media Channels



+/- Change from 2023
** New for 2024
Japan: New for 2024

SURVEY FINDINGS

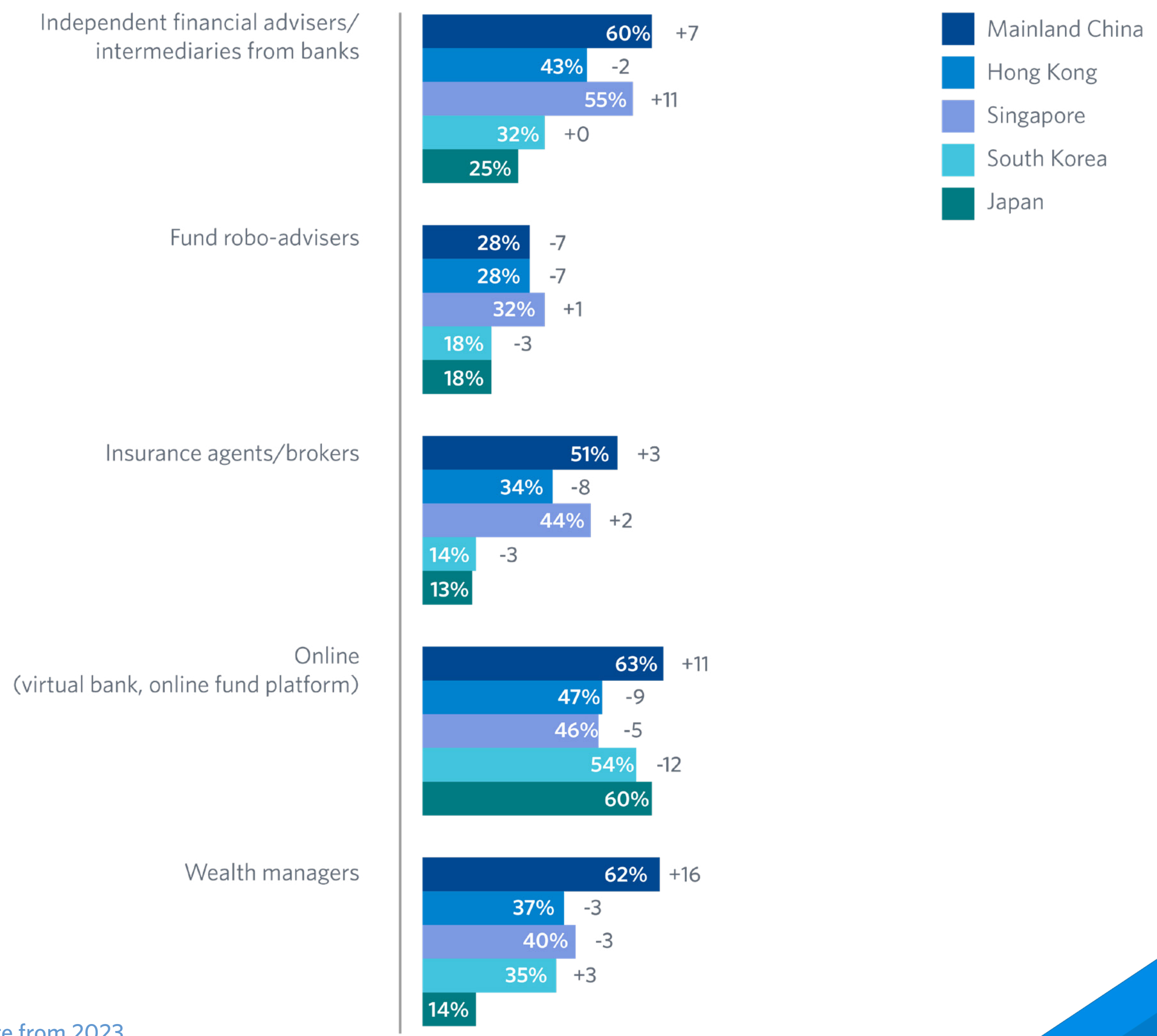
FUND PATRONAGE

More than half of the investors covered in the survey use virtual banks or online fund platforms to purchase their fund products. Similar to last year, these online methods are the most popular among Asian investors (54%) for fund patronage. Independent financial advisers or bank intermediaries continue to be important (43%), alongside wealth managers (38%).

Digital platforms are now a mainstream way for investors to purchase mutual funds as 82% of investors in mainland China and 72% of investors in Singapore said that they have used digital platforms to purchase mutual funds, followed by Hong Kong (55%) and Japan (38%). South Korea investors continue to lag behind from other markets in this area (34%), down from 51% last year.

Last year's report asked if investors would move away from face-to-face interaction and become more comfortable with online channels. In some markets there is a greater willingness to change than in others, but it is evident that a substantial number of investors prefer to receive expert advice with in-person meetings. Investors in mainland China and Singapore have shown an increase to purchase funds from independent financial advisers (60% in 2024 vs 53% in 2023 for mainland China and 55% in 2024 vs 44% in 2023 for Singapore), indicating that investors in these markets tend to get more expert guidance when making investment decisions. In particular, there is a big jump of mainland China investors purchasing funds from wealth managers (62% in 2024 vs 46% in 2023).

Fund Patronage Sources



+/- Change from 2023
** New for 2024
Japan: New for 2024

SURVEY FINDINGS

Digital Platforms

82% MAINLAND CHINA (+5)

55% HONG KONG (-20)

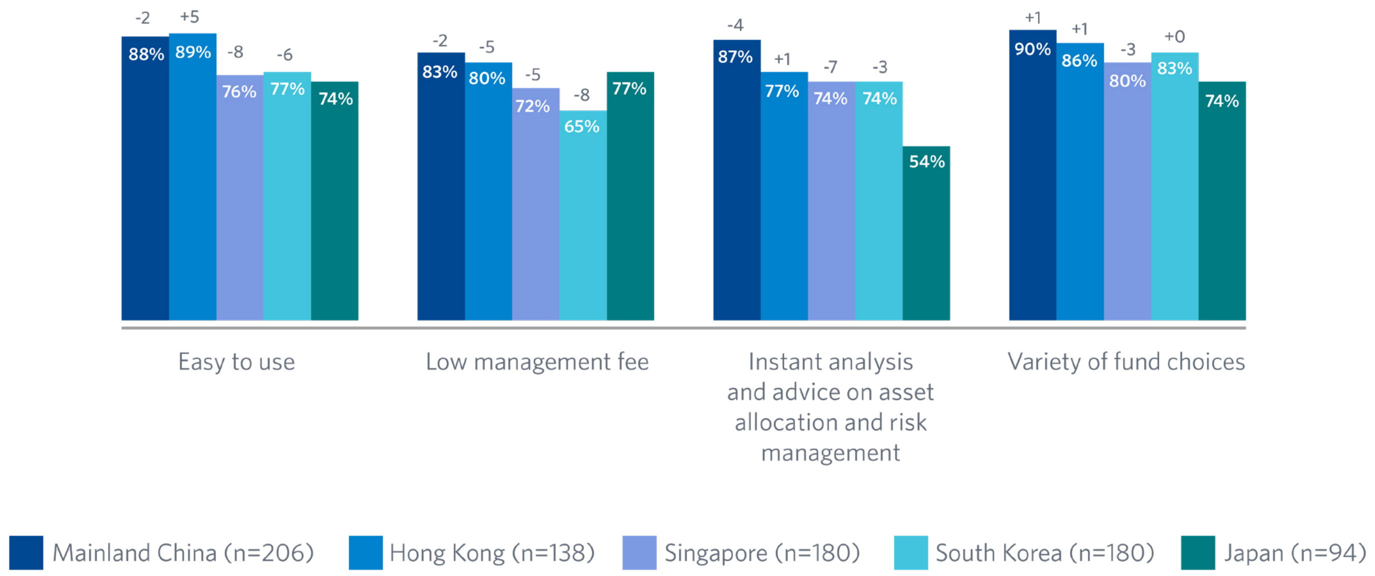
72% SINGAPORE (-4)

34% SOUTH KOREA (-14)

38% JAPAN

Of investors have used digital platforms to purchase mutual funds

Experience when Using Digital Platform to Purchase Funds



+/- Change from 2023
Japan: New for 2024

SURVEY FINDINGS

We have started to look at whether ChatGPT or AI tools are useful for investors to select fund managers or make investment decisions. More than half of the investors (63%) surveyed don't find ChatGPT or AI tools particular useful. In particular only 27% of investors in Hong Kong surveyed have used ChatGPT or AI tools, registering a 21 percentage points drop as compared with last year. Although many decision makers use big data and AI algorithms to analyze market trends and identify potential risks and opportunities, it is still yet to be seen if ChatGPT or other AI tools will replace humans in making investment decisions.

ChatGPT/AI Tools to Select Fund Managers or Help Make Investment Decisions

61% MAINLAND CHINA (+5)

27% HONG KONG (-21)

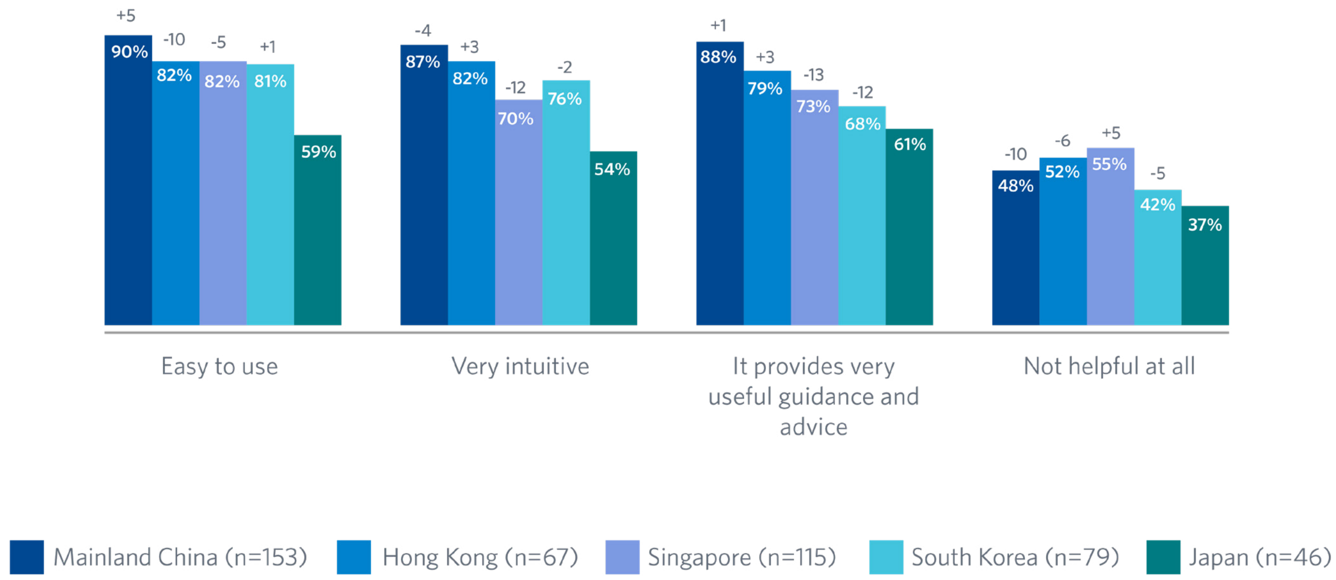
46% SINGAPORE (+1)

32% SOUTH KOREA (-6)

18% JAPAN

Of investors have used ChatGPT or other AI tools to select fund managers or help make investment decisions

Experience when Using ChatGPT/Other AI Tools



+/- Change from 2023
Japan: New for 2024

SURVEY FINDINGS

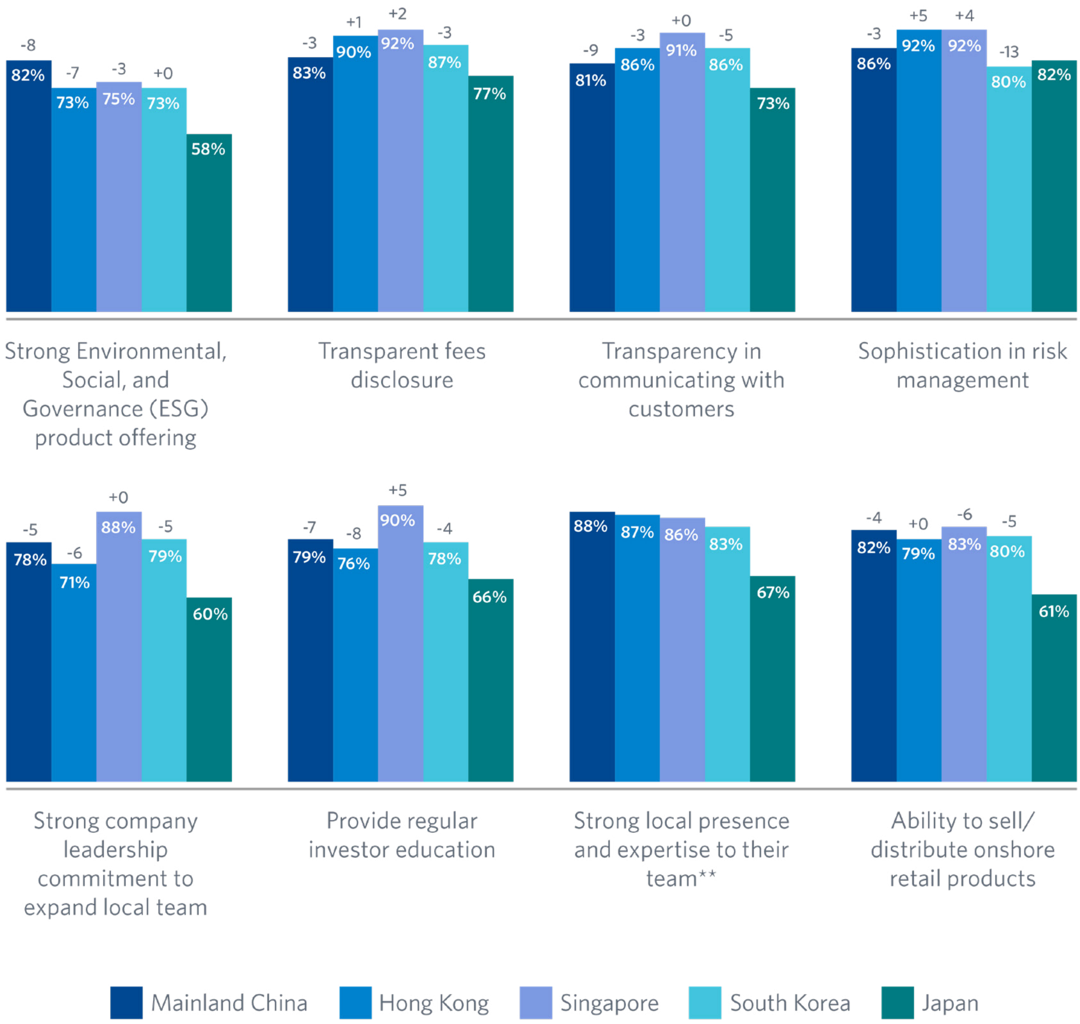
APPEALING TRAITS AND ESG

Investors in the region continue to expect overseas asset managers to perform sophisticated risk management (86%) and deliver high transparency when communicating with their customers (84%). They also hope these global asset managers are able to have high transparency in fees disclosure (86%).

Elsewhere, an increasing number of investors in the region see the importance of foreign asset managers' ability to distribute onshore retail products, which implies that investors put greater weight on assets managers' on-the-ground capabilities, their local offerings and their understanding of local markets.

The survey results once again highlight the high level of transparency foreign asset managers need to uphold when it comes to customer communication, especially around fees disclosure and risk management. It is worth noting that 82% of mainland Chinese investors continue to rank higher those overseas asset managers with strong ESG product offerings.

Important Factors for Overseas Asset Management Houses



+/- Change from 2023
** New for 2024
Japan: New for 2024

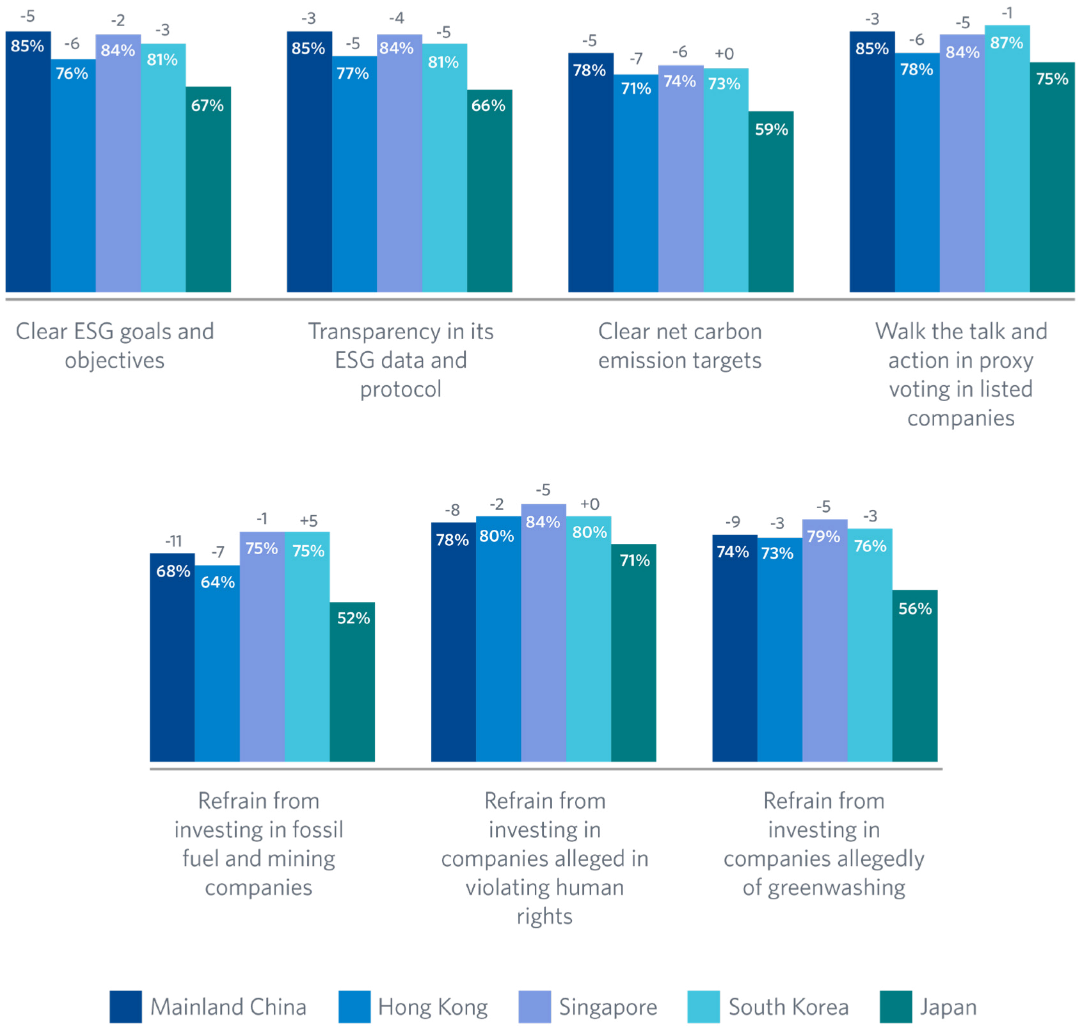
SURVEY FINDINGS

ESG investments have evolved over the years in Asia as increasing numbers of investors in Asia show more interest in national climate and development policies, energy security and sustainable finance, all of which led to greater demand for asset managers to promote sustainable investments.

Investors in the region continue to expect asset managers to “walk the talk when proxy voting at listed companies” (82%), which is considered the most important ESG commitment they need to make to have an impact.

That is followed by asset managers’ transparency in ESG data and protocols (79%), and clear ESG goals and objectives (79%). These findings are much the same as last year. Other important areas included not investing in companies allegedly involved in human rights violations or greenwashing, and setting clear net carbon emission targets.

Importance of ESG Commitments From Asset Managers



+/- Change from 2023
Japan: New for 2024

KEY INSIGHTS FOR ASSET MANAGERS

KEY INSIGHTS FOR ASSET MANAGERS

The future of the asset management industry in Asia appears promising and dynamic, driven by several key factors. Asia's rapidly growing middle class and increasing proportion of disposable incomes have fueled a surge in demand for investment opportunities, leading to a significant expansion of the fund industry across the region. Investors are now seeking diverse and innovative investment products tailored to their specific needs and risk appetites.

CUSTOMIZABLE INDEXING FUNDS

Customizable indexing funds or active ETFs are gaining significant traction in Asia as investors seek greater control and flexibility over their investment portfolios. Our report also shows that 23% of Asian investors are interested in active ETFs in the next 12 months. These funds, also known as "smart beta" or "factor-based" funds, provide investors with the ability to tailor their exposure to specific factors or investment themes. Rather than passively tracking a broad market indices, investors can now choose from a diverse range of factors such as value, growth, momentum, or volatility, among others. This customization allows investors to align investment strategies with their individual preferences and risk profiles. Furthermore, advancements in technology and data analytics have facilitated the development of innovative indexing methodologies, enabling fund managers to create more precise and targeted investment strategies. As a result, customizable indexing funds or active ETFs are witnessing increased demand in Asia, offering investors the opportunity to diversify their portfolios and potentially enhance risk-adjusted returns through factor-based investing.

PRIVATE MARKETS INVESTING

Private markets investing has emerged as an attractive avenue for high net worth individuals to diversify their portfolios and gain access to unique investment opportunities, as seen in our report. They are drawn to the potential for higher returns and lower correlation to traditional asset classes that private markets investments can offer. Additionally, investing in private markets allows for more direct involvement and influence in the companies or projects being funded, providing the opportunity for greater control and involvement.
That being said, private markets investing also comes with its own considerations and risks. These investments tend to be illiquid with longer lock-up periods, requiring investors to have a longer-term investment horizon. Due diligence and thorough research are crucial in assessing investment opportunities and mitigating risk. Despite the challenges, private markets investing has gained popularity among high net worth investors in Asia and globally, offering the potential for attractive returns and the opportunity to participate in the growth of promising companies and sectors.

MARKET LIQUIDITY AND DEPTH

The asset management industry in Asia faces challenges related to market liquidity and depth, particularly in emerging markets. Some markets in the region lack well-developed secondary markets, which can constrain investment opportunities and also pose challenges for liquidity management. Illiquid markets increase the risk of price volatility, limit the exit options for investors, and hinder efficient portfolio management. Enhancing market liquidity and developing robust secondary markets are crucial steps towards fostering a vibrant and resilient asset management industry in Asia. It is important for asset managers to engage with regulators and exchanges to work together to enhance market liquidity.

DATA SOVEREIGNTY

Data sovereignty has become an increasingly critical consideration for asset managers in Asia as they navigate the evolving landscape of data regulation and privacy. With the increasing digitization of financial services, asset managers are handling vast amounts of sensitive investor data, including personal and financial information. In response to growing concerns over data protection and privacy, many Asian countries have implemented or strengthened data sovereignty regulations. These regulations frequently mandate that data must be stored, processed, and managed within the country's borders, subject to local laws and jurisdiction. Asset managers are now faced with the challenge of complying with these regulations while maintaining operational efficiency and cross-border data flows. To address this, asset managers are investing in robust data governance frameworks, secure infrastructure, and data localization measures. Some companies are leveraging cloud technologies to establish local data centers or working with local partners to store and process data in compliance with the regulations. By prioritizing data sovereignty, asset managers in Asia are striving to protect investor information, build trust, and meet regulatory requirements, while also driving innovation and delivering superior investment services.

ARTIFICIAL INTELLIGENCE

AI is revolutionizing the asset management industry in Asia, offering unprecedented opportunities for enhanced performance, efficiency, and decision-making. AI-powered algorithms and machine learning models are being leveraged to analyze vast amounts of financial data, identify patterns, and generate investment insights. Asset management companies in Asia are increasingly embracing AI-based tools and technologies to automate processes, optimize portfolio management, and improve risk assessment. AI-driven robo-advisers are gaining popularity across Asia, providing investors with personalized investment recommendations based on their goals, risk tolerance, and market conditions. Moreover, natural language processing and sentiment analysis are being utilized to extract valuable information from news articles, social media, and other unstructured data sources, empowering fund managers to make more informed investment decisions. The growing integration of AI in the asset management industry is fostering innovation, expanding market access, and delivering tailored investment solutions to investors in Asia, while also posing challenges in terms of data privacy, transparency, and regulatory compliance that need to be carefully navigated.

SUSTAINABLE INVESTING AND EVOLVING REGULATORY STANDARDS

With various global new sustainability and climate change disclosures in place, investors in Asia are increasingly recognizing the importance of incorporating ESG factors into their investment decisions, driven by concerns over climate change, social impact, and corporate governance practices. Asset managers across the region are responding to this demand by offering a wide range of ESG-focused investment products and integrating ESG criteria into their investment processes.

The asset management industry in Asia is witnessing the rise of dedicated ESG funds, green bonds, and impact investing vehicles that specifically target investments aligned with environmental and social objectives. These funds allocate capital to companies that demonstrate strong ESG practices, such as renewable energy, clean technology, healthcare, and socially responsible initiatives. Additionally, engagement strategies, proxy voting, investee and active ownership practices are being employed to influence investees' ESG practices and drive positive change.

Regulators in Asia are also recognizing the significance of ESG considerations in the fund industry. They have been introducing numerous new guidelines and disclosure requirements to ensure transparency and accountability in ESG reporting. For instance, stock exchanges in several Asian countries are mandating ESG disclosures for listed companies, providing investors with better information to make informed investment decisions, following the implementation of IFRS S1 and S2 standards.

Furthermore, collaborations and initiatives focused on advancing sustainable investing are emerging in Asia. Regional organizations, industry associations, and investor networks are working together to promote ESG integration, share best practices, and foster dialogue on sustainable finance.

Overall, the integration of ESG factors in the asset management industry in Asia is reshaping investment strategies, driving capital towards sustainable and responsible investments, and contributing to the region's transition to a more sustainable and inclusive economy.

CONCLUDING THOUGHTS

The future of asset management industry in Asia is marked by various growth factors, technological advancements, a growing focus on sustainable investing and evolving regulatory frameworks. These factors are shaping a vibrant and inclusive ecosystem that caters to the diverse needs and aspirations of investors in Asia, positioning the region as a key driver in the global fund industry.

NEVER SETTLE

ARE YOU READY?

FleishmanHillard is committed to advising all asset managers, financial institutions and other professional bodies in supporting their market entry, thought leadership and public affairs campaigns in the region.

“FleishmanHillard is your go-to-advisory firm in managing your communications and reputation in Asia.”

CONTACTS

ASIA / HONG KONG - PATRICK YU

GM, SVP and Senior Partner
Asia-Pacific Lead, Financial and Professional Services Sector
FleishmanHillard

patrick.yu@fleishman.com

SINGAPORE - CAROLINE ROLLE

Account Director
Omnicom PR Group

caroline.rolle@omnicomprgroup.com

MAINLAND CHINA - YISI LIU

Managing Director and Senior Partner
FleishmanHillard

yisi.liu@fleishman.com

SOUTH KOREA - KATHY CHUNG

Vice President
FleishmanHillard

kathy.chung@fleishman.com

JAPAN - ATSUKO KAMEGAYA

Managing Director and Senior Partner
FleishmanHillard

atsuko.kamegaya@fleishman.com

TRUE GLOBAL INTELLIGENCE - MATT STOCKER

Research Manager
FleishmanHillard

matt.stocker@trueglobalintelligence.com

FLEISHMAN HILLARD

DISCLAIMER

This report by FleishmanHillard is a collection of publicly available information, announcements, analysis and media reports. The report aims to provide an overview of key trends affecting the asset management industry in Asia.

FleishmanHillard makes no representations as to the accuracy, completeness, correctness, suitability, or validity of any information stated, and will not be liable for any errors. All information is provided on an as-is basis, based on the latest updates from credible publications and publicly available sources.

The statements and analysis expressed herein are an assessment of such materials, and do not reflect the views or position of FleishmanHillard and their employees.

FLEISHMAN HILLARD

SOURCES

1. https://www2.deloitte.com/cn/en/pages/deloitte-private/articles/asia-pacific-private-equity-almanac-2024.html
2. https://www.asianinvestor.net/article/esg-fund-flows-slump-asia-bond-funds-see-outflows-in-2023/494245
3. https://www.calastone.com/insights/global-fund-flows-all-eyes-on-bonds/
4. https://www.asianinvestor.net/article/market-views-will-etfs-extend-their-winning-streak-in-2024/493867
5. https://www.mordorintelligence.com/industry-reports/asia-pacific-etf-industry
6. https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/deloitte-private/deloitte-cn-private-ap-pe-almanac-2024-en-240305.pdf
7. https://www.asianinvestor.net/article/esg-fund-flows-slump-asia-bond-funds-see-outflows-in-2023/494245
8. https://www.ignitesasia.com/c/4451134/579844
9. https://www.scmp.com/tech/policy/article/3246308/hong-kong-prepares-retail-access-spot-cryptocurrency-exchange-traded-funds-boosting-citys-virtual
10. https://www.ignitesasia.com/c/4484114/585994/spot_crypto_etfs_predicted_attract_assets_over_years?referrer_module=emailMorningNews&module_order=0&code=Y0dGMGNtbGpheTU1ZFVCbWJHVnBjMmh0WVc0dVkyOXRMQ0F6TlRnNU5USTBMQ0EzTmpjeE9EY3hOUT09
11. https://www.ignitesasia.com/c/4234694/547994
12. https://www.ignitesasia.com/c/4486954/586794/china_offers_long_awaited_reforms_mainland_scheme?referrer_module=emailMorningNews&module_order=0&code=Y0dGMGNtbGpheTU1ZFVCbWJHVnBjMmh0WVc0dVkyOXRMQ0F6TlRnNU5USTBMQ0F4TnpNeE9UY3hNRFEw
13. https://www.ignitesasia.com/c/4486954/586794/china_offers_long_awaited_reforms_mainland_scheme?referrer_module=emailMorningNews&module_order=0&code=Y0dGMGNtbGpheTU1ZFVCbWJHVnBjMmh0WVc0dVkyOXRMQ0F6TlRnNU5USTBMQ0F4TnpNeE9UY3hNRFEw
14. https://www.aima.org/article/hong-kong-to-take-further-steps-to-increase-attractiveness-as-an-alternative-asset-management-hub
15. https://www.ignitesasia.com/c/4400654/570524
16. https://influencemap.org/report/People-and-Planet-Are-Sound-Investments-26973
17. https://www.hkex.com.hk/News/Regulatory-Announcements/2023/231103news?sc_lang=en
18. https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/2023/20231129e1.pdf
19. https://www.budget.gov.hk/2024/eng/budget16.html
20. https://www.hkex.com.hk/-/media/HKEX-Market/News/Research-Reports/HKEx-Research-Papers/2023/CCEO_IntlListing_202311_e.pdf
21. https://www.hkexgroup.com/Media-Centre/Insight/Insight/2023/HKEX-Insight/Southbound-Stock-Connect-Trends-and-Prospects?sc_lang=en
22. https://www.ignitesasia.com/c/4294804/556364
23. https://eastasiaforum.org/2024/01/25/hong-kongs-economic-quagmire-continues/
24. https://www.scmp.com/economy/global-economy/article/3244938/chinas-stocks-bonds-suffer-us65-billion-capital-outflow-2024-amid-geopolitical-risks-waning-investor
25. https://www.bloomberg.com/news/articles/2024-02-21/foreign-investors-flee-chinese-shares-long-delayed-data-shows
26. https://www.ignitesasia.com/c/4400324/570524
27. https://law.asia/cross-border-fundraising-foreign-funds/
28. https://law.asia/cross-border-fundraising-foreign-funds/
29. https://www.reuters.com/business/finance/china-allows-allianz-set-up-onshore-fund-management-company-2023-08-24/
30. https://www.ignitesasia.com/c/4405574/572034
31. https://www.ignitesasia.com/c/4405574/572034
32. https://www.theasset.com/article/51034/china-private-equity-market-to-remain-challenging-in-2024
33. https://www.bloomberg.com/news/articles/2023-11-13/pe-firms-get-trapped-in-china-after-1-5-trillion-betting-spree

34. https://www.ignitesasia.com/c/4449684/579654
35. https://www.ignitesasia.com/c/4368314/566994
36. https://www.ignitesasia.com/c/4422534/574424
37. https://www.ignitesasia.com/c/4415994/573524
38. https://www.ignitesasia.com/c/4454194/580334
39. https://www.bloomberg.com/news/articles/2024-03-05/global-funds-pause-shunning-china-stocks-morgan-stanley-says
40. https://www.bloomberg.com/news/articles/2024-03-05/global-funds-pause-shunning-china-stocks-morgan-stanley-says
41. https://www.morningstar.hk/hk/news/243634/china-outlook-2024-policy-support-ipos-and-optimism.aspx
42. https://www.ignitesasia.com/c/4454164/580334
43. https://asia.nikkei.com/Spotlight/Market-Spotlight/Japan-s-revamped-NISA-program-seen-benefiting-U.S.-Indian-stocks
44. https://www.ignitesasia.com/c/4454164/580334
45. https://www.ignitesasia.com/c/4456294/580604
46. https://www.bloomberg.com/news/articles/2024-03-24/japan-private-equity-deals-jump-in-otherwise-gloomy-year-for-asia
47. PE sets its sights on Japan's 'sizeable' take-private opportunity (privateequityinternational.com)
48. https://www.asianinvestor.net/article/japans-pe-market-shows-resilience-amid-global-decline/493958
49. https://www.ft.com/content/57b113b3-2fd0-46a6-b960-9c45906249df
50. https://www.asianinvestor.net/article/asset-owners-in-push-to-lift-esg-standards-in-corporate-japan/491880
51. https://www.ignitesasia.com/c/4334124/56106
52. https://www.fsa.go.jp/en/policy/pjlamc/20231214.html
53. https://www.japantimes.co.jp/business/2024/02/19/markets/japan-asset-management/
54. https://www.fsa.go.jp/en/policy/pjlamc/20231214.html
55. https://www.japantimes.co.jp/business/2024/02/19/markets/japan-asset-management/
56. https://www.fsa.go.jp/en/policy/pjlamc/20231214.html
57. https://www.japantimes.co.jp/business/2024/02/19/markets/japan-asset-management/
58. https://www.ignitesasia.com/c/4284054/554694
59. https://esgclarity.com/japan-losses-corporate-governance/
60. MAS Singapore Asset Management Survey 2022
61. MSCI AC World Index
62. Bloomberg Global Aggregate Bond Index
63. https://www.bloomberg.com/news/articles/2024-03-24/singapore-dollar-s-stellar-run-seen-ending-on-monetary-easing
64. MAS Survey of Professional Forecasters
65. MTI Maintains 2024 GDP Growth Forecast at "1.0 to 3.0 Per Cent"
66. https://www.mas.gov.sg/news/speeches/2024/investing-in-change-supporting-asias-development-and-transition#5
67. https://www.mas.gov.sg/news/parliamentary-replies/2024/written-reply-to-parliamentary-question-on-family-offices
68. https://www.mas.gov.sg/news/speeches/2024/beyond-the-horizon---unlocking-value-in-the-future-of-alternative-investments
69. https://www.weforum.org/agenda/2020/07/the-rise-of-the-asian-middle-class/
70. https://www.mas.gov.sg/news/speeches/2024/investing-in-change-supporting-asias-development-and-transition

71. https://en.cdi.org.cn/research/gfci
72. MAS, 2022, Asset Management Survey
73. https://asia.lombardodier.com/en/home/private-clients/uhnw/2022-high-net-worth-study.html
74. https://www.straitstimes.com/singapore/mas-publishes-code-of-conduct-for-providers-of-esg-rating-and-data-products
75. https://www.ledgerinsights.com/ubs-tokenized-fund-public-blockchain/
76. https://imas.org.sg/press_releases/singapore-fund-managers-positive-on-asian-financial-markets-in-2024-expect-stable-global-growth/
77. https://www.bloomberg.com/news/articles/2024-03-31/ai-craze-drives-record-quarterly-foreign-flows-to-korean-stocks
https://en.yna.co.kr/view/AEN20240408004500320
78. https://www.reuters.com/markets/asia/south-korea-unveils-reform-measures-tackle-korea-discount-2024-02-26/#:~:text=The%20Korea%20discount%20refers%20to,opaque%20conglomerates%20known%20as%20chaebols.
https://www.cnbc.com/2024/02/26/south-korea-unveils-measures-to-boost-stock-markets-tackle-korea-discount.html
79. https://www.asiatime.co.kr/article/20240402500426#_enliple#_mobwcvr
80. https://www.fntimes.com/html/view.php?ud=20231217161108815022f8e8c22c_18
81. https://www.thebell.co.kr/free/content/ArticleView.asp?key=202401041124348200104559
82. https://news.heraldcorp.com/view.php?ud=20240404050340
83. https://www.fnnews.com/news/202402281815269091
84. https://www.bloter.net/news/articleView.html?idxno=613217
85. https://news.mt.co.kr/mtview.php?no=2024010114460262184
86. https://stock.mk.co.kr/news/view/245952
87. https://www.hankyung.com/article/202403058732i
88. https://www.hankyung.com/article/202403058732i
89. https://www.koreatimes.co.kr/www/biz/2024/04/602_367461.html
90. https://www.fsc.go.kr/no010101/81915?srchCtgry=&curPage=6&srchKey=&srchText=&srchBeginDt=&srchEndDt=
91. https://www.fsc.go.kr/no010101/81915?srchCtgry=&curPage=6&srchKey=&srchText=&srchBeginDt=&srchEndDt=
92. https://www.fsc.go.kr/no010101/81915?srchCtgry=&curPage=6&srchKey=&srchText=&srchBeginDt=&srchEndDt=
93. https://www.fsc.go.kr/no010101/81915?srchCtgry=&curPage=6&srchKey=&srchText=&srchBeginDt=&srchEndDt=
94. https://news.sbs.co.kr/news/endPage.do?news_id=N1007471173&plink=ORI&cooper=NAVER
95. https://www.hankyung.com/article/2024010429731